Middle East and North Africa

Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Spring Meetings 2024

WORLD BANK GROUP
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Middle East and North Africa

Spring Meetings 2024

Algeria
Bahrain
Djibouti
Egypt, Arab Republic
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Lebanon
Libya
Morocco
Oman
Palestinian Territories
Qatar
Saudi Arabia
Syrian Arab Republic
Tunisia
United Arab Emirates
Yemen, Republic

ALGERIA

Table 1	2023
Population, million	45.6
GDP, current US$ billion	252.3
GDP per capita, current US$	5531.4
National poverty rate[a]	5.5
International poverty rate ($2.15)[a]	0.5
Lower middle-income poverty rate ($3.65)[a]	4.0
Gini index[a]	27.6
School enrollment, primary (% gross)[b]	108.3
Life expectancy at birth, years[b]	76.4
Total GHG emissions (mtCO2e)	286.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ WDI for School enrollment (2022); Life expectancy (2021).

Algeria's growth remained robust in 2023 and, although lower hydrocarbon prices narrowed the current account surplus from its 2022 peak, the rebuilding of official reserves continued. Lower hydrocarbon budget revenues put pressure on the fiscal deficit as the increase in public sector wages continued amid high inflation. With high imports and rigid public spending exposing Algeria to global oil market risk, diversifying the economy, enabling private sector investment, and strengthening the macroeconomic policy framework remain key development priorities.

Key conditions and challenges

The oil and natural gas sector accounted for 18 percent of GDP, 93 percent of product exports, and 41 percent of budget revenues between 2016 and 2022, which means that Algeria remains exposed to hydrocarbon price volatility. Double-digit fiscal and current account deficits persisted during the pre-COVID-19 years. As public debt increased rapidly, large scale monetization and rapid currency depreciation, coupled with import reduction policies posed further challenges to economic stability.

Economic output recovered to its pre-COVID-19 level in 2022 and rising gas demand from Europe combined with high hydrocarbon prices boosted the current account surplus and budget revenues to their highest level in a decade. Notwithstanding, unemployment and inflation are still relatively elevated, and poverty remains high for Algeria's level of development, despite improvements in education, health, and living standards during the pre-pandemic years.

The government aims to accelerate private investment and jobs through the 2019 Hydrocarbon Law, the 2022 Investment Law, banking sector reforms, large mining and infrastructure projects, as well as greater regional integration. Successful implementation of these reforms is important in a context in which public investment, previously the engine of Algeria's growth, is likely to be constrained by high and rigid spending on wages and subsidies.

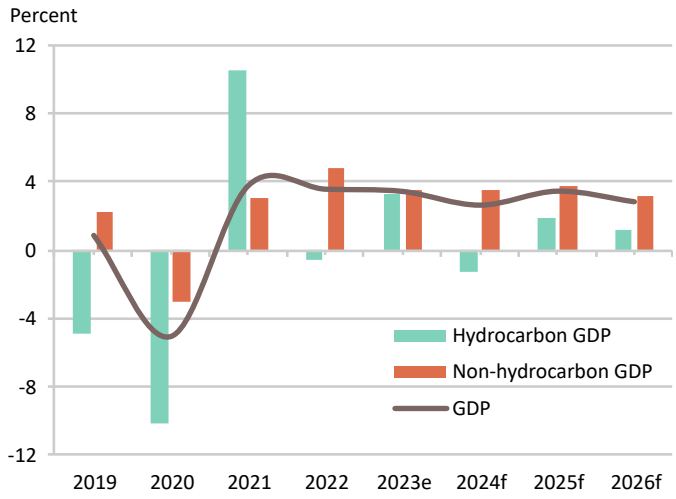
Recent developments

National accounts data have not been published since Q4-2022 but available administrative data and World Bank use of big data indicate robust hydrocarbon and non-hydrocarbon activity in 2023. Hydrocarbon output and exports continued to increase as growing natural gas production compensated for falling oil production amid OPEC quota cuts. Night-time lights data suggest that non-hydrocarbon growth has remained robust in 2023 while satellite image analysis indicates subdued agricultural output amid drought episodes. The strong increase in equipment and automobile imports suggest dynamic investment and consumption driven by higher public spending, large investment projects, and the selective relaxation of import controls.

With hydrocarbon prices moderating and imports increasing, external surpluses narrowed sharply in 2023. At end-November 2023 the trade surplus stood at 5 percent of GDP, down from 11.5 percent of GDP in 2022. Nevertheless, official reserves increased by US$8.0 billion during 2023 and reached US$69.7 billion, or an estimated 16.8 months of imports.

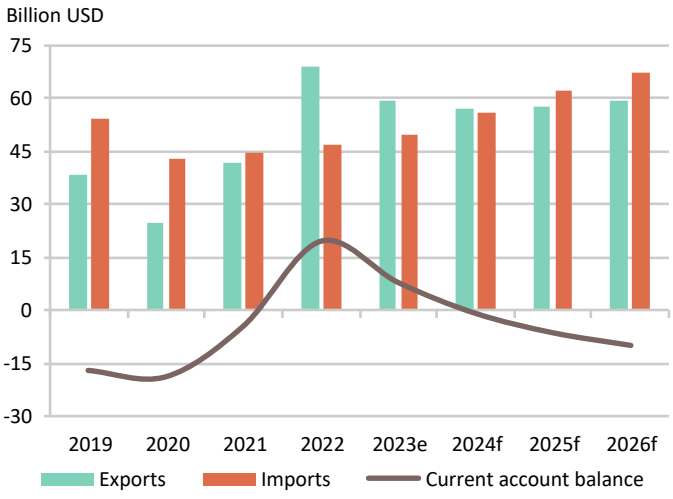
The budget deficit is estimated to have widened from 2.5 percent in 2022, the lowest level in a decade, to 6.5 percent in 2023, driven by falling hydrocarbon revenues, a second year of public sector wage increases, and an expansion of

FIGURE 1 **Algeria** / Annual GDP growth



Sources: Algerian authorities and World Bank staff estimates.

FIGURE 2 **Algeria** / Current account, exports, and imports



Sources: Algerian authorities and World Bank staff estimates.

public employment. Partially offsetting these effects, tax revenues increased from the growing public wage bill and the effect of non-hydrocarbon dynamism on corporate income, consumption, and imports, while dividends from the national oil company Sonatrach surged to reach 2.9 percent of GDP. The deficit is expected to have been mostly financed by hydrocarbon savings accumulated in 2021 and 2022. Consequently, public debt decreased from 48.1 percent to 46.8 percent of GDP in 2023 and remains nearly all domestically held at long-term maturities and low interest rates.

Inflation remained elevated at 9.3 percent over 2023 but began to moderate in Q4. Fueled by fresh produce prices, inflation hurts vulnerable Algerians the most as food accounts for over half of the spending for the bottom 40 percent of the population. The government responded via increases in public sector wages, unemployment transfers, and food subsidies, as well as by pursuing a stable currency. Although broad money growth slowed in H2-2023, monetary policy remained accommodative with interest rates unchanged at 3 percent since May 2020, which means that real policy rates are significantly negative.

Outlook

GDP growth is expected to moderate in 2024 amid declining oil production in line with OPEC quota cuts. Non-hydrocarbon growth would stabilize driven by strong public spending and its impacts on household consumption, industrial output, and services. Lead crop growth indicators suggest that agricultural production would remain subdued in 2024. Growth would accelerate in 2025 as agricultural output recovers and crude oil production tracks recovering OPEC quotas, and then slows slightly in 2026 with stabilizing hydrocarbon output.

The current account would return to a modest deficit, driven by declining global oil prices, quota cuts, and rebounding equipment-led imports. The budget deficit would widen further in 2024 as hydrocarbon receipts decline and the government implements the third tranche of public sector wage increases. The government's medium-term budget framework indicates slow fiscal consolidation in 2025 and 2026, including subdued public investment growth. Public debt would increase above 60 percent of GDP by 2026 as hydrocarbon savings would only partially finance deficits.

The fluctuation of hydrocarbon prices amid geopolitical uncertainties remains the most important risk to Algeria's fiscal and external balances pointing to the importance of accelerating private sector investment in non-hydrocarbon sectors to support diversification and increase the economy's resilience. Structural reforms to foster productivity growth would also support lower consumer prices and higher job creation, key to reducing youth unemployment and raising Algeria's standards of living. Lastly, two years of weak agricultural output underscore vulnerability to climate change, with shocks having become more frequent in recent years.

TABLE 2 **Algeria** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.8	3.6	3.5	2.7	3.5	2.9
Private consumption	1.6	3.5	4.7	3.4	3.2	2.5
Government consumption	1.2	2.8	4.2	3.0	1.1	1.2
Gross fixed capital investment	0.4	2.6	8.3	6.3	5.8	5.3
Exports, goods and services	11.5	0.2	3.9	-2.6	2.6	0.9
Imports, goods and services	-4.5	-0.2	16.1	5.8	4.3	3.6
Real GDP growth, at constant factor prices	4.3	3.8	3.5	2.7	3.5	2.9
Agriculture	-1.1	5.0	-1.1	0.5	3.1	2.6
Industry	6.3	4.0	3.4	1.8	3.3	2.5
Services	3.9	3.5	4.3	3.6	3.6	3.1
Inflation (consumer price index)	7.2	9.3	9.3	7.5	6.4	6.1
Current account balance (% of GDP)	-2.4	8.6	3.1	-0.3	-2.2	-3.3
Fiscal balance (% of GDP)	-6.3	-2.5	-6.5	-9.2	-9.3	-8.5
Revenues (% of GDP)	26.2	29.6	30.2	27.8	26.6	25.6
Debt (% of GDP)	55.2	48.1	46.8	51.2	57.0	61.4
Primary balance (% of GDP)	-5.7	-1.3	-5.2	-8.0	-8.0	-7.0
GHG emissions growth (mtCO2e)	2.8	2.4	2.1	1.7	2.4	2.1
Energy related GHG emissions (% of total)	52.6	53.7	54.6	55.3	56.2	57.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BAHRAIN

Table 1	2023
Population, million	1.5
GDP, current US$ billion	44.9
GDP per capita, current US$	30221.9
School enrollment, primary (% gross)[a]	92.3
Life expectancy at birth, years[a]	78.8
Total GHG emissions (mtCO2e)	57.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Notwithstanding the advancement of the diversification agenda, hydrocarbon revenues still account for more than 60 percent of total budget revenues which exposes the economy to the volatility of energy prices. Bahrain continues to face structural challenges, notably these relating to fiscal sustainability, as debt and gross financing needs remain elevated. Despite progress, female labor force participation is low and public sector remains the largest employer. Larger than forecasted drop in oil prices, potential delays in implementing fiscal reforms, and climate change, pose significant risks to Bahrain's economic outlook.

Key conditions and challenges

The non-oil sector remains the driving force of the economy thanks to ongoing diversification efforts. Fiscal consolidation is on track, notably helped by contained spending and increased revenue—thanks notably to the doubling of the VAT rate to 10 percent in 2022—as the government remains committed to its Fiscal Balance Program (FBP). The new four-year program 2023-26 prioritizes several objectives that aim to raise living standards, including improving infrastructure and accelerating digital transformation. A new National Labor Market Plan (NLMP) has also been approved in July 2023 to encourage Bahraini employment in the private sector. In November 2023, the kingdom unveiled the national energy strategy, aiming for a 30 percent reduction in emissions by 2035 and net-zero emissions by 2060, while ensuring reliable and affordable access to energy.

Downside risks to the outlook are mostly linked to a drop in hydrocarbon prices and tightening global financial conditions, which could put pressure on the fiscal position and delay implementation of fiscal reforms. The depletion of underground water resources could have serious long-term growth implications. On the upside, sustained high oil prices and enacting additional fiscal reforms would reduce fiscal and external vulnerabilities and put debt on a firm downward path while rebuilding fiscal buffers. Advancing structural reforms including those related to increase employment opportunities among youth, would ensure a private sector-led inclusive recovery.

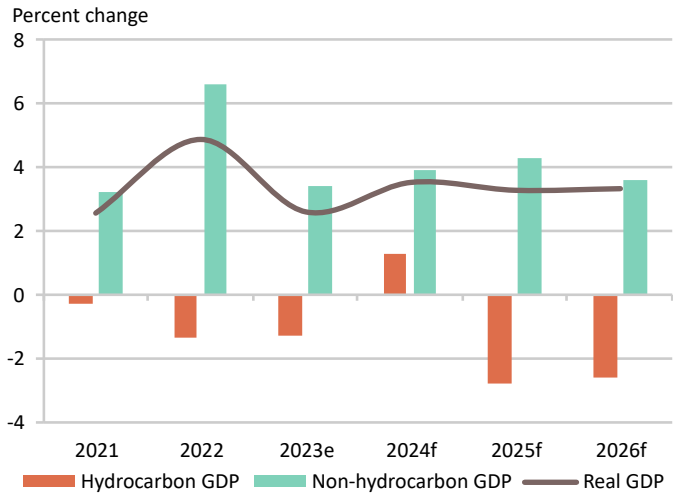
Recent developments

Bahrain's economy has moderated in 2023, amid limited hydrocarbon sector growth, and tight fiscal and monetary policies. Following a strong performance in 2022, economic growth has slowed down to an estimated 2.6 percent in 2023. Preliminary official data reveals that the economy grew by 2 percent in the first nine months of 2023 (9M-2023 y/y), driven primarily by 3.1 percent expansion in the non-oil sectors as a result of the ongoing diversification efforts. Manufacturing, construction, and government services led the growth in non-oil activities, which outpaced the contraction in the oil sector (falling by 3.4 percent) due to seasonal operational maintenance. Inflation decelerated to 0.1 percent in 2023, mainly owing to fading base effects, lower global commodity prices, and lower transportation costs.

Official fiscal data for 2023 have not been released yet. However, the state budget for 2023-2024 aims for public finances to remain on a stable footing, as part of the government's multi-year Fiscal Balance Program. This includes the progress so far to enhance non-hydrocarbon revenue mobilization and the continued spending restraint.

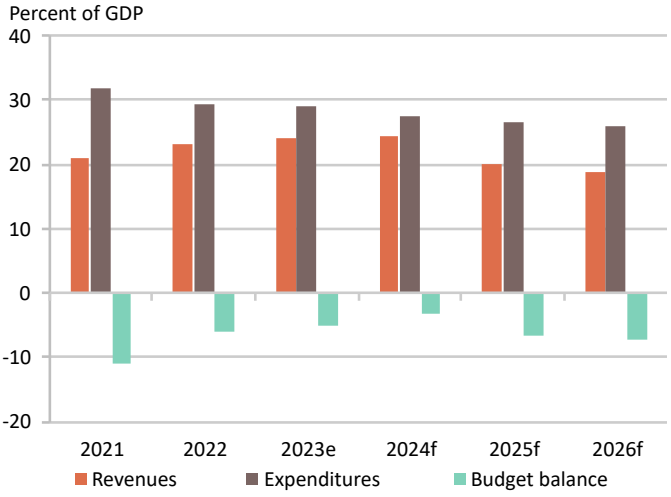
The current account balance posted a small surplus of US$2 billion (6.4 percent of GDP) in the 9M-2023, versus 15.4 percent of GDP

FIGURE 1 **Bahrain** / Real annual GDP growth



Sources: Bahrain authorities, World Bank, and IMF projections.

FIGURE 2 **Bahrain** / General government operations



Sources: Bahrain authorities and World Bank projections.

same period in 2022, reflecting lower oil exports (down by 22.8 percent y/y). However, official reserve assets remained stable at around US$4 billion in 2023—an increase of US$297 million compared to 2022.

According to the most recent International Labor Organization (ILO modeled) estimates, the labor force participation rate and employment-to-population ratio are projected at 71.8 percent (-0.1 ppt relative to 2023) and 70.9 percent (+0.1 ppt relative to 2023) respectively in 2024. The unemployment rate is expected to hold steady at around 1.4 percent in 2024, with the rate among women at 4.1 percent and among men at 0.5 percent.

Outlook

Bahrain's economic outlook hangs on oil market prospects and the accelerated implementation of structural reforms. Growth is estimated to pick up to 3.5 percent in 2024 in line with higher oil output, while the non-oil sector remains the main growth driver. The hydrocarbon sector is expected to expand by 1.3 percent in 2024, far below the non-hydrocarbon sectors' projected growth of almost 4 percent supported by the recovery in tourism and the service sectors, in addition to the continuation of infrastructure projects. In the medium term, growth is expected to slow down—hovering slightly above 3 percent—as fiscal consolidation accelerates while the non-oil economy stays resilient. Inflation is estimated to remain low at 1.5 percent in 2024 and to converge to less than 2 percent in the medium term reflecting the positive impact of tighter monetary policy and in line with the currency peg to U.S. dollar.

Limited spending growth under the FBP and higher oil and non-oil revenues are expected to result in a lower fiscal deficit of 3.2 percent in 2024, down from more than 5 percent in 2023. Achieving fiscal balance would require higher oil prices. The budget deficit is expected to increase in 2025-26 reflecting projected lower oil prices and higher interest burden. The debt-to-GDP ratio is projected to slightly decline in 2024 but remains elevated (above 100 percent) in the medium term—requiring deeper fiscal consolidation measures.

The current account surplus is forecast to expand to 7.3 percent of GDP in 2024, helped by higher oil export prices but would narrow down during 2025-26, in line with the projected oil price outlook. The comfortable external position is expected to boost foreign reserves and strengthen resilience against future external shocks.

TABLE 2 Bahrain / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	2.6	4.9	2.6	3.5	3.3	3.4
Private consumption	18.9	2.8	2.4	2.6	2.5	2.7
Government consumption	6.5	3.3	2.5	2.0	1.5	1.7
Gross fixed capital investment	-4.2	2.3	3.6	4.1	4.4	4.7
Exports, goods and services	29.5	4.5	1.6	2.6	2.5	2.3
Imports, goods and services	15.2	3.5	2.7	3.0	3.1	3.0
Real GDP growth, at constant factor prices	2.4	3.3	2.6	3.5	3.3	3.4
Agriculture	7.2	4.4	3.8	3.4	3.3	3.3
Industry	0.5	1.2	0.7	2.3	3.9	3.5
Services	3.9	4.9	4.1	4.4	2.9	3.3
Inflation (consumer price index)	-0.6	3.6	0.1	1.5	1.8	2.1
Current account balance (% of GDP)	6.6	15.4	6.7	7.3	6.6	5.3
Net foreign direct investment inflow (% of GDP)	-4.4	0.0	-2.6	-2.6	-2.7	-2.7
Fiscal balance (% of GDP)	-11.0	-6.2	-5.1	-3.2	-6.5	-7.3
Revenues (% of GDP)	20.8	23.1	24.0	24.4	20.0	18.7
Debt (% of GDP)	127.2	117.4	120.9	118.7	121.2	124.0
Primary balance (% of GDP)	-6.3	-1.8	-0.6	1.4	-1.9	-2.2
GHG emissions growth (mtCO2e)	-5.6	0.8	7.2	4.0	0.7	0.3
Energy related GHG emissions (% of total)	58.6	58.4	60.2	60.9	60.3	60.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

DJIBOUTI

Table 1	2023
Population, million	1.1
GDP, current US$ billion	4.1
GDP per capita, current US$	3606.4
International poverty rate ($2.15)[a]	19.1
Lower middle-income poverty rate ($3.65)[a]	43.8
National poverty rate[a]	21.1
Gini index[a]	41.6
School enrollment, primary (% gross)[b]	64.4
Life expectancy at birth, years[b]	62.3
Total GHG emissions (mtCO2e)	1.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

In 2023, Djibouti's economy rebounded impressively with a GDP growth of +6.7 percent, but Djibouti's growth model faces vulnerabilities, including heavy dependence on global maritime transport and exposure to conflict-prone neighbors. Ethiopian demand for transport and logistics services and domestic infrastructure projects are expected to drive growth, with GDP forecasted to gradually increase to 5.1 percent in 2024-2025. Poverty at 14.7 percent in 2024 (international poverty line) is expected to decline, yet risks persist amid the fragile regional context.

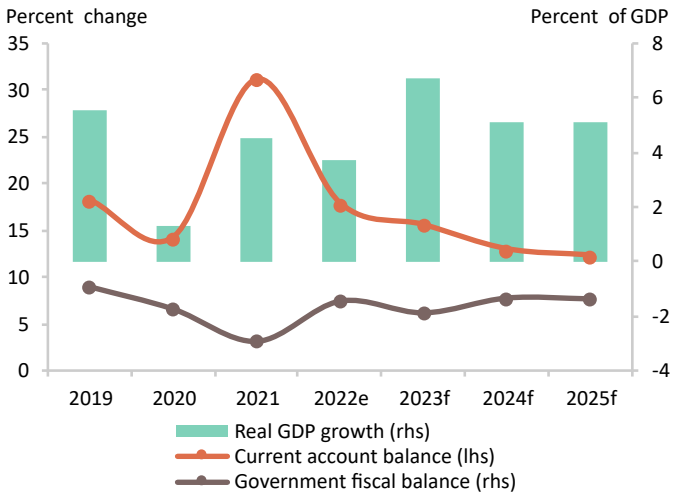
Key conditions and challenges

Djibouti experienced rapid economic growth, averaging over 4 percent annually over the period 2000-21, driven by significant investments in transport and port infrastructure. However, this growth, financed by increasingly expensive borrowing, has heightened debt vulnerabilities, thereby limiting fiscal space for essential social spending. The pandemic, conflict in neighboring Ethiopia, and the Russian invasion in Ukraine exacerbated economic and fiscal strains through foreign trade, financial, and commodity price channels, rendering debt unsustainable since February 2022. Also, Djibouti's ambition to better exploit its unique geographic position at the entrance of the Red Sea and become a major transport and logistics hub faces challenges. Heavy dependence on imports exposes the economy to global price fluctuations and transport disruptions. Moreover, Djibouti's subsidy for fuel pricing strains government finances without effectively reducing poverty, necessitating alternative approaches. This is particularly true as the fuel subsidy is primarily consumed by richer households. Still, poverty rates are projected to have declined from their 19 percent baseline in 2017 to around 14.7 percent in 2024. This is a slower reduction than previously anticipated, primarily due to factors influenced by COVID-19 and regional instability. Poverty at the lower middle-income poverty line remains high at around 36 percent, down from 44 percent in 2017. Ongoing disruptions in the Red Sea produce mixed impacts. On the one hand, Djibouti's port activity has surged because of the ship diversion, notably in transshipment services, to the point that it is overwhelming its (new) port capacity. On the other, escalating sea freight costs and higher insurance premiums due to maritime risks are anticipated to increase consumer goods prices, exacerbating Djibouti's vulnerability to such fluctuations. Additionally, the Red Sea tensions may have significant fiscal implications, potentially impacting customs revenue, and fuel pricing strategies.

Recent developments

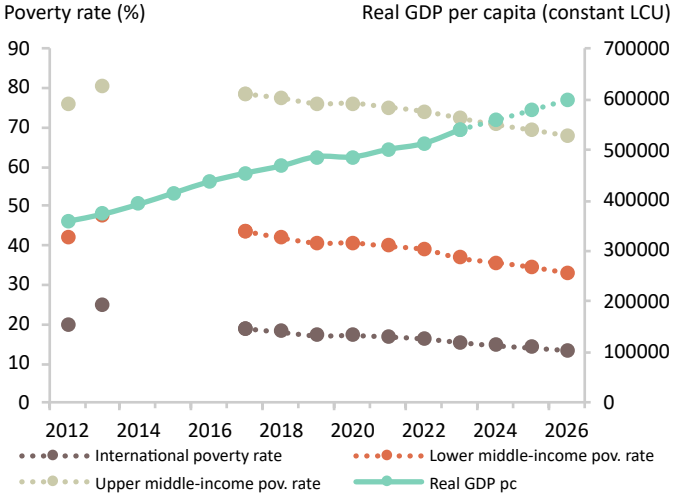
In 2023, Djibouti experienced a robust economic rebound, with GDP growth surpassing expectations at 6.7 percent. This resurgence was fueled by a significant increase in port activity, particularly in container traffic, which increased by 41 percent in 2023 compared to 2022, driven by renewed trade with Ethiopia following the peace agreement reached in November 2022 between the federal government and the Tigrayan People's Liberation Front. Despite disruptions in the Red Sea, Djibouti's port activity continued to increase in January 2024, driven by the strong boom in transshipment activity as carriers have rapidly expanded transshipment operations in Djibouti, strategically positioned in the south of the Red Sea, to circumvent the Red Sea corridor and Houthi-impacted

FIGURE 1 Djibouti / Real GDP growth, fiscal, and current account balances



Sources: Government of Djibouti and World Bank staff projections.

FIGURE 2 Djibouti / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

areas. Domestically, construction and public works sectors thrived, with cement sales surging by 80 percent as projects previously disrupted by the COVID-19 pandemic resumed. Inflation peaked at 11 percent in July 2022 but decelerated to 3.8 percent by December 2023, attributed to global food price slowdowns and government measures. However, Djibouti continued to face fiscal challenges marked by a decline in (already low) revenues due to new tax exemptions introduced in the 2023 budget. Total public spending surged, driven by increased capital expenditure, widening the budget deficit to 1.9 percent of GDP. External debt reached 69.4 percent of GDP in 2023 from 66.5 percent of GDP in 2022, due to new loans and inclusion of last year's debt arrears. Also, Djibouti's stock of external arrears increased significantly to 6 percent of GDP by the end of September 2023. Djiboutian authorities reached a preliminary agreement for debt reprofiling in late 2023 with its main creditor, EXIMBANK CHINA, including a 4-year moratorium for rail and water supply projects, aiming to secure more favorable terms. However, addressing outstanding arrears with other creditors remains crucial to mitigate continued debt distress. Authorities engaged with the Paris Club for arrears clearance plans and intend to also reopen discussions with Exim Bank India for debt restructuring. On the external front, Djibouti's sector exhibited positive trends, recording a notable current account surplus due to increased trade and logistics demand from Ethiopia. Foreign exchange reserves remained strong, providing sufficient coverage for prospective imports for four months. Despite previous challenges, the banking sector remained stable, reflecting the resilience of Djibouti's economy.

Outlook

Djibouti's economic outlook is heavily influenced by regional uncertainties, including exposure to conflict-prone neighbors and unexpected inflationary pressures, which pose challenges to its trajectory. Recent developments in Ethiopia, such as defaulting on euro bond payments and imposing restrictions on imports, further add to uncertainties. Additionally, Ethiopia's pursuit of direct access to the Red Sea evidenced by recent agreements with Somaliland and a recent MOU signing in Lamu complicates further the regional landscape. Despite this, Djibouti maintains confidence in its strategic position and world-class port complex, fortified over the past three decades. In the medium term, Djibouti's economic prospects appear promising, driven by foreign trade and public works. GDP is forecasted to remain strong at 5.1 percent from 2024 to 2026, propelled by continued Ethiopian demand for transport and logistics services. Locally, the development of the Damerjog Industrial Park Project and infrastructure programs under the National Development Plan (NDP) are expected to boost Gross Fixed Capital Investment. Fiscal consolidation measures, including reprioritizing central government investment spending and improving fiscal management, aim to gradually reduce the budget deficit, stabilizing at 1.4 percent of GDP by 2025-2026. Projected poverty rates are expected to decline alongside GDP growth, with poverty rates projected to reach 13.5 percent in 2026 (at the international poverty line) and 33.1 percent (at the lower middle-income poverty line). However, there are risks, including the ongoing accumulation of public debt and arrears, regional tensions, and climatic shocks. The persistence of these risks could jeopardize Djibouti's ability to manage future challenges and fund essential public services, particularly given its reliance on trade and transport activities with Ethiopia.

TABLE 2 Djibouti / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.5	3.7	6.7	5.1	5.1	5.2
Private consumption	9.6	-0.6	4.4	5.0	5.0	5.0
Government consumption	-2.5	-14.3	8.1	2.9	2.2	2.2
Gross fixed capital investment	4.9	2.7	12.4	8.5	6.8	7.6
Exports, goods and services	29.5	-12.5	8.4	9.0	10.0	10.0
Imports, goods and services	18.2	-6.2	10.4	11.0	11.3	11.3
Real GDP growth, at constant factor prices	4.1	4.0	6.7	5.1	5.1	5.2
Agriculture	16.5	-0.5	5.9	5.5	5.5	5.5
Industry	11.4	7.2	10.0	10.0	10.0	10.0
Services	2.5	3.4	6.0	4.0	4.0	4.0
Inflation (consumer price index)	1.5	5.1	1.4	2.6	2.0	2.5
Current account balance (% of GDP)	31.2	17.9	15.6	13.0	12.3	11.2
Fiscal balance (% of GDP)	-2.9	-1.4	-1.9	-1.3	-1.4	-1.4
Revenues (% of GDP)	20.0	18.9	18.9	18.9	18.9	18.8
Debt (% of GDP)	71.3	66.5	69.4	66.6	63.7	61.0
Primary balance (% of GDP)	-2.7	-0.7	-1.1	-0.5	-0.5	-0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	16.9	16.5	15.5	14.7	14.1	13.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	39.9	39.1	36.9	35.8	34.6	33.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	75.2	74.2	72.5	70.8	69.5	68.0
GHG emissions growth (mtCO2e)	0.2	-0.4	0.0	0.2	0.3	0.3
Energy related GHG emissions (% of total)	23.8	23.3	22.9	22.4	21.9	21.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2017-EDAM. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2017) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ARAB REPUBLIC OF EGYPT

Table 1	2023
Population, million	105.2
GDP, current US$ billion	395.9
GDP per capita, current US$	3764.5
Lower middle-income poverty rate ($3.65)[a]	17.6
National poverty rate[a]	29.7
Gini index[a]	31.9
School enrollment, primary (% gross)[b]	91.6
Life expectancy at birth, years[b]	70.2
Total GHG emissions (mtCO2e)	320.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Leveraging large-scale investments and financing, Egypt undertook monetary adjustments to address the foreign currency crisis sparked by macroeconomic imbalances and global shocks. Growth is forecast to decline to 2.8 percent in FY24 due to eroded real incomes, before a projected rebound in FY25-FY26. On- (and off) budget consolidation (in line with external sustainability) and transformative investment climate reforms are critical for private sector-driven, inclusive, and sustainable growth.

Key conditions and challenges

In early March 2024, the CBE resumed its move towards a flexible exchange rate regime to address severe foreign exchange market distortions, after more than a year of delayed macroeconomic adjustments, build-up of foreign currency backlogs, as well as a soaring parallel market rate. To anchor inflation expectations, the CBE hiked key policy rates by 600 basis points (bps) in March (bringing policy rates to 27.25 percent and 28.25 percent for the overnight deposit and lending transactions, respectively; 1,900 bps above their levels prior to March 2022). In tandem, the government announced mitigation packages, including scaling-up cash transfers, hiking the minimum wage, among other measures. These adjustments are underpinned by the large-scale UAE investments and the completion of the IMF Extended Fund Facility (EFF) reviews (originally slated for March and September 2023).

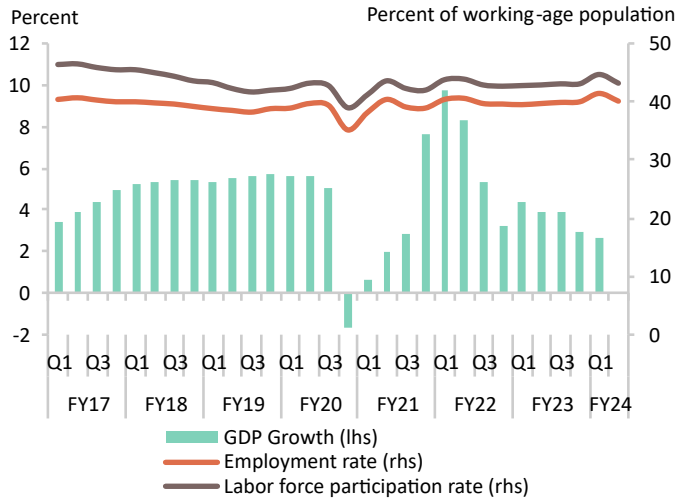
The effective implementation of the recent policy announcements to redefine the role of the state, contain public investments, and enable the private sector will be crucial to address the long-standing external and fiscal imbalances that have been exacerbated by the multiple global shocks. Non-oil exports and FDI have been underperforming with the gradual shift in the economy towards non-tradable and low value-added sectors, and away from high productivity and export-oriented sectors. Furthermore, despite on-budget consolidation, government debt increased to 95.2 percent of GDP at end-FY23, reflecting off-budget borrowing and the depreciation. Additionally, contingent liabilities reached 28.7 percent of GDP at end-January 2023. Thus, fiscal space remains constrained by high interest payments (7.6 percent of GDP in FY23) as well as low domestic resource mobilization (tax-to-GDP ratio of 12.4 percent). Hence, public expenditures for human capital development and social protection remain well below the needs of the rapidly rising population of above 105 million.

The national poverty rate is expected to have increased substantially (last reported at 29.7 percent in 2019), due to double-digit inflation since March 2022, with partial mitigation from the government's social packages. Low labor force participation and employment rates (at 43.1 percent and 40.1 percent, respectively, of the working-age population in Q2-FY24) are also not conducive to poverty reduction.

Recent developments

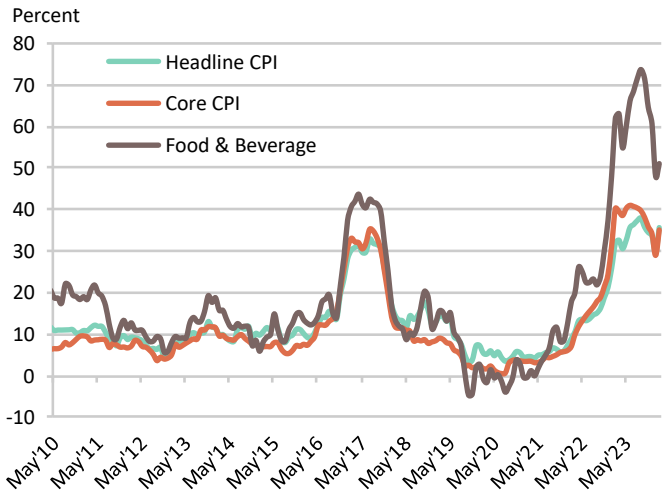
Growth declined to 2.7 percent in Q1-FY24 from 4.4 percent in Q1-FY23, reflecting the contraction of non-oil manufacturing and gas extractives; impacted by the foreign exchange crisis, import restrictions, capital controls, as well as domestic production problems. Shockwaves from the Middle East conflict which caused a sharp drop in Suez Canal traffic and dampened the strong recovery of tourism are also constraining growth in recent months.

FIGURE 1 Arab Republic of Egypt / Real GDP growth, employment and labor force participation rates



Sources: World Bank estimates based on Central Agency for Public Mobilization and Statistics (CAPMAS) and Ministry of Planning and Economic Development (MPED).

FIGURE 2 Arab Republic of Egypt / Annual inflation rates



Sources: Central Bank of Egypt (CBE) and CAPMAS.

Annual urban inflation accelerated to an average 33.8 percent in January—December 2023 (up from 13.8 percent in 2022), even though 21.4 percent of the Consumer Price Index basket is regulated. Food items (63.9 percent inflation in 2023) remain the main driver of the headline rate and account for over 44 percent of bottom quintile expenditures.

Despite the successive monetary tightening, real interest rates remained negative through March 2024. Government credit remains the main driver of credit growth, indicating that excess demand from the public sector has been another contributor to inflation, on top of the cost-push factors. Meanwhile, private sector credit remains limited (29.6 percent of total domestic credit).

Outlook

Growth is forecast to decline to 2.8 percent in FY24 from 3.8 percent in FY23, exacerbated by the repercussions of the Middle East conflict notably on key foreign income-generating sectors (Suez Canal and tourism). Growth is expected to start rebounding in FY25-FY26 driven by growth in investment (albeit from a low base), and improved private consumption with the projected pickup in remittances and the gradually abating inflation.

Fiscal consolidation is expected to slow down in FY24. The tax-to-GDP ratio is expected to decline due to sluggish economic activity, while interest payments rise with monetary tightening and a depreciated currency. The government debt-to-GDP ratio is thus expected to increase to 97.6 percent at end-FY24, due to the valuation effect of the exchange rate depreciation, as well as the higher deficit. Fiscal consolidation and debt reduction (including from off-budget borrowing) are expected to resume by FY25, as tax reforms kick in (the payroll tax systems standardization, enhanced administration, and exemptions rationalization), besides streamlining of energy subsidy.

While external accounts are expected to remain under pressure till end-FY24 due to the pre-existing backlogs, the UAE investment deal, along with major external financing will gradually alleviate the foreign currency crisis. The banking system's net foreign assets position (-US$29 billion at end-January 2024) is expected to immediately improve—at least by US$11 billion: the UAE deposits at the CBE that have been converted to investments. Official reserves and foreign currency assets (US$45 billion at end-February 2024) are expected to be boosted by the one-off US$24 billion in FDI inflows (the remainder of the UAE deal), state asset sales (US$2.3 billion during July-February FY24), the IMF EFF and financing from the World Bank and other development partners. Eliminating the parallel market premium will encourage formal-channel remittances, which had declined by US$10 billion in FY23. Nevertheless, clearing the arrears owed to international oil companies and import backlogs (jointly reportedly estimated at above US$14 billion at end-February), in addition to medium- and long-term debt servicing scheduled for payment in the second half of FY24 (US$15.9 billion) will remain a drain on reserves.

High inflation, especially for food, remains a source of concern for poverty reduction. Going forward, continued implementation of the ambitious reforms envisaged under Egypt's State Ownership Policy, while ensuring wider public sector fiscal consolidation is critical for creating space for human development and social protection spending, and for external sustainability. Business environment reforms will be crucial to enable private sector growth and job-creation.

TABLE 2 Arab Republic of Egypt / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.3	6.6	3.8	2.8	4.2	4.6
Private consumption	6.2	2.8	3.8	3.2	3.4	3.7
Government consumption	3.4	4.9	-2.8	3.0	2.0	2.5
Gross fixed capital investment	-3.2	18.5	-24.1	-7.4	16.0	10.0
Exports, goods and services	-13.9	57.4	31.4	12.9	13.5	14.0
Imports, goods and services	0.5	24.3	1.1	-0.5	15.5	13.0
Real GDP growth, at constant factor prices	2.0	6.2	3.6	2.7	4.2	4.5
Agriculture	3.8	4.0	4.1	3.3	3.3	3.3
Industry	-1.2	6.9	-0.6	-1.1	3.4	4.7
Services	3.7	6.2	6.2	4.8	4.8	4.7
Inflation (consumer price index)	4.5	8.5	24.1	33.4	24.9	12.6
Current account balance (% of GDP)	-4.3	-3.5	-1.2	-3.2	-3.3	-3.0
Net foreign direct investment inflow (% of GDP)	1.1	1.8	2.5	6.8	2.7	1.9
Fiscal balance (% of GDP)	-7.1	-6.2	-6.0	-6.5	-6.4	-6.3
Revenues (% of GDP)	16.6	17.2	15.4	15.5	16.5	16.9
Tax revenues (% of GDP)	12.5	12.6	12.4	12.2	12.8	13.4
Debt (% of GDP)	87.9	88.3	95.2	97.6	91.3	88.0
External government debt (% of GDP)	19.0	19.5	25.1	31.7	27.2	23.3
Primary balance (% of GDP)	1.4	1.3	1.6	2.2	3.0	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	19.8	19.3	21.5	23.8	23.4	23.1
GHG emissions growth (mtCO2e)	4.0	1.8	1.0	0.7	1.1	1.3
Energy related GHG emissions (% of total)	64.9	65.0	65.4	65.9	67.8	69.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2010-HIECS, 2015-HIECS, and 2019-HIECS. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2010-2015) with pass-through = 0.02 based on GDP per capita in constant LCU. Poverty estimates for 2020, 2023, and 2024 are based on microsimulations of the impacts of Covid, high inflation, and government mitigating measures.

IRAN, ISLAMIC REPUBLIC

Table 1	2023
Population, million	89.2
GDP, current US$ billion	401.9
GDP per capita, current US$	4506.4
Upper middle-income poverty rate ($6.85)[a]	21.9
Gini index[a]	34.8
School enrollment, primary (% gross)[b]	104.5
Life expectancy at birth, years[b]	73.9
Total GHG emissions (mtCO2e)	921.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2021).

Iran's economy is continuing its oil-driven growth in 2023/24, helping employment to return to pre-pandemic levels. Inflation remained elevated despite tighter monetary policy, in part due to inflationary expectations. Economic prospects are hindered by long-lasting structural challenges that are exacerbated by economic sanctions, heightened geopolitical tensions, and the impact of climate change.

Key conditions and challenges

Economic growth has proven resilient over the past four years, despite ongoing economic sanctions and heightened geopolitical uncertainty. While the economy has benefitted from improved oil sector growth, the non-oil sector, notably services and manufacturing, has been the main driver of growth. Tradable sector production has shifted towards meeting domestic consumption, which has partly mitigated the impact of the financial and trade embargos and the limited access to foreign exchange reserves. Employment has also recently returned to pre-pandemic levels. Fiscal policy, notably the social protection system with its quasi-universal cash transfer, has partly buffered the impact of external shocks on the most vulnerable households and helped sustain consumption-led growth.

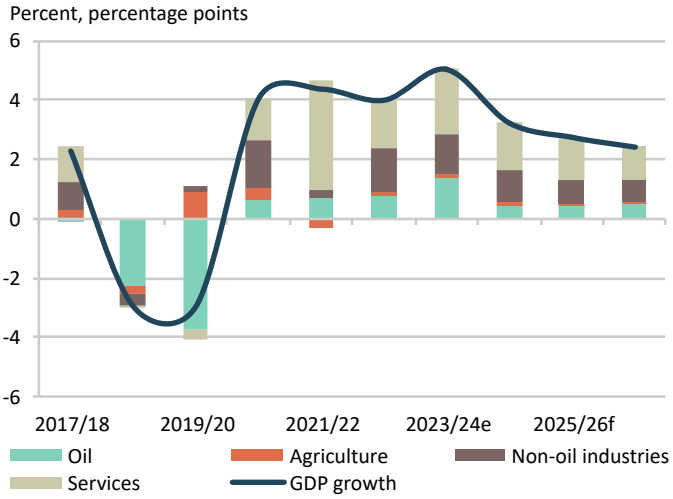
The economy continues to face structural challenges that impact sustainable developmental outcomes. Ongoing sanctions limit technology transfer and investments to boost productivity. Energy subsidies and other administered prices are contributing to supply-demand mismatches, wasteful consumption, and allocative inefficiencies; this comes at a significant fiscal burden and at a detriment to the environment. Climate change exacerbates the energy and water shortages, negatively impacting food security and jobs in the stagnating agriculture sector. Limited job opportunities and persistently high inflation have negatively impacted purchasing power and poverty outcomes. An estimated 40 percent of households are vulnerable, in that they have a high probability of falling back into poverty if they experience a shock. The gradual aging of the population, significant emigration of highly skilled workers, and a declining birth rate not only impact growth prospects but also strain an already struggling pension system. Financial sector challenges, including the undercapitalized banking sector and liquidity shortages, also restrict prospects of private sector-led growth.

Recent developments

GDP growth accelerated to 5.1 percent year-on-year (Y-o-Y) in the first half of 2023/24 (Iranian year ending March 20), primarily driven by the oil sector and services. The oil sector value-added surged by 17.1 percent (Y-o-Y), fueled by a tight global oil market and greater success in marketing oil exports, including through price discounts. The non-oil sector also showed robust growth of 3.8 percent (Y-o-Y), which drove employment to pre-pandemic levels in Q3-23/24, as job creation increased by 2.9 percent and the unemployment rate reached a record low of 7.6 percent.

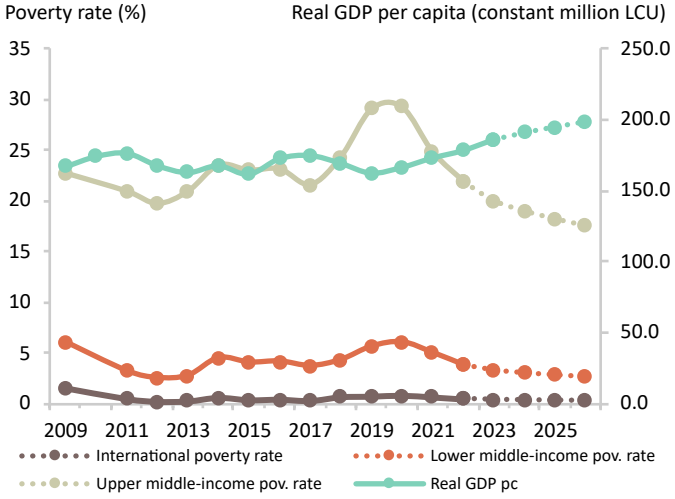
Lower-than-expected government revenues in the first seven months of 2023/24 (Apr-Oct 2023) led to a reprioritization of expenditures. Only 72 percent of the budgeted revenues were realized in the period, as less than half of the planned

FIGURE 1 Islamic Republic of Iran / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

FIGURE 2 Islamic Republic of Iran / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

oil revenues materialized due to lower Iranian oil export prices. This revenue shortfall forced the government to cut expenditures, especially capital investments, and to finance the growing deficit from the National Development Fund.

Inflation edged down in 11M-23/24 but remained above 40 percent. The decline was attributed to reduced inflationary expectations, spurring hopes of progress in nuclear negotiations, and tighter monetary policy. Headline and core CPI remained elevated, at 41.6 percent and 41.4 percent in this period, respectively, driven by high food prices and housing costs. To curb inflation, the central bank started implementing measures, including constraining bank balance sheet growth, increasing reserve requirements for riskier banks, and raising deposit and interbank interest rates.

Between 2020/21 and 2022/23, poverty declined as the economy recovered. Over two years, poverty as measured at the US$6.85 poverty line declined by a cumulative 7.4 percentage points to 21.9 percent in 2022/23, meaning an estimated 6.5 million people were lifted out of poverty. For the lower-middle income poverty line of US$3.65, poverty declined by 2.2 percentage points to 3.8 percent. Between 2020/21 and 2022/23, the bottom 40 percent of households experienced higher consumption growth than the top 60 percent of households, reducing inequalities. This has also reduced overall inequality, with the Gini index dropping from 35.8 to 34.8. A combination of increased wages, an increase in self-employed earnings, and a top-up to the national cash-transfer program contributed to the growth in consumption and the corresponding reduction in poverty.

Outlook

Real GDP growth is forecasted to moderate to an annual average of 2.8 percent from 2024/25 to 2026/27. The initial boost in oil production and exports in 2023/24 is projected to moderate significantly with a similar spillover effect into the non-oil sector. Weaker global demand, ongoing sanctions, energy shortages, liquidity constraints, underinvestment, and geopolitical tensions further contribute to this outlook. While inflation is expected to decelerate further, it is expected to remain elevated. Despite government plans to consolidate the budget in 2024/25, fiscal pressures are forecast to persist, resulting in a fiscal deficit, compounded by off-budget expenditures. The current account surplus is projected to gradually decrease, influenced by lower commodity prices, and heightened global competition in key markets.

Poverty is projected to decrease, but at a slower pace. Poverty at the US$6.85 line is expected to drop by a further 3 percentage points over the next three years, and poverty at the US$3.65 percentage line will decrease only slightly. Building on the last two years of inclusive growth, while ensuring a robust safety net, will help ensure the trend of poverty reduction continues.

The economic outlook is influenced by various risks, including global oil market dynamics, climate change, the intensification of economic sanctions, and prospects of conflict in the Middle East. A decline in oil prices resulting from reduced global demand would adversely affect economic prospects. Growing economic linkage with China makes the economy susceptible to fluctuations in China's economy. Increased extreme weather events threaten agricultural production and employment, posing risks to food security and livelihoods. The intensification of economic sanctions, especially impacting trade with neighbors and existing trade partners, would significantly weigh on growth. An expansion of the conflict in the Middle East would have significant ramifications for Iran and the region. Conversely, the removal or partial waiver of sanctions would significantly boost growth.

TABLE 2 Islamic Republic of Iran / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021/22	2022/23	2023/24e	2024/25f	2025/26f	2026/27f
Real GDP growth, at constant market prices	4.7	3.8	5.0	3.2	2.7	2.4
Private consumption	3.9	8.7	3.2	2.4	2.1	1.8
Government consumption	8.3	-3.6	1.6	1.9	2.1	2.2
Gross fixed capital investment	0.0	6.7	5.8	4.5	4.2	3.1
Exports, goods and services	5.2	8.2	15.4	7.1	5.2	5.2
Imports, goods and services	24.1	7.5	1.6	1.8	2.1	2.1
Real GDP growth, at constant factor prices	4.4	4.0	5.0	3.2	2.7	2.4
Agriculture	-2.6	1.1	1.0	0.9	0.8	0.8
Industry	3.2	7.4	8.8	4.9	3.7	3.7
Services	6.5	2.7	3.6	2.7	2.5	1.9
Inflation (consumer price index)	46.2	46.5	40.8	35.3	32.0	30.5
Current account balance (% of GDP)	3.1	3.4	2.9	2.7	2.3	2.2
Fiscal balance (% of GDP)	-3.2	-1.9	-2.0	-2.2	-2.4	-2.5
Revenues (% of GDP)	11.0	11.7	11.8	11.8	11.8	11.9
Gross public debt (% of GDP)	42.4	30.1	30.7	32.3	34.1	35.9
Primary balance (% of GDP)	-2.7	-1.5	-1.6	-1.8	-2.0	-2.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	0.5	0.4	0.4	0.4	0.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	5.0	3.8	3.3	3.1	2.9	2.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	24.8	21.9	20.0	19.0	18.2	17.6
GHG emissions growth (mtCO2e)	2.9	2.9	3.1	2.0	1.8	1.6
Energy related GHG emissions (% of total)	67.8	67.6	67.8	67.7	67.5	67.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2019-HEIS and 2022-HEIS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using annualized elasticity (2019-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.

REPUBLIC OF IRAQ

Table 1	2023
Population, million	45.5
GDP, current US$ billion	285.8
GDP per capita, current US$	6279.7
Lower middle-income poverty rate ($3.65)[a]	2.4
Upper middle-income poverty rate ($6.85)[a]	24.7
National poverty rate[a]	22.5
Gini index[a]	29.5
School enrollment, primary (% gross)[b]	103.7
Life expectancy at birth, years[b]	70.4
Total GHG emissions (mtCO2e)	231.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ WDI for School enrollment (2007); Life expectancy (2021).

Iraq's economy contracted in 2023 due to OPEC+ production cuts that more than off-set a non-oil sector rebound. A sharp fiscal expansion is fueling consumption but weighs on fiscal and external balances, and undermines fiscal sustainability in the medium term. Downside risks to the outlook include oil market volatility, climate change risks, and the impact of heightened geopolitical tensions. The long-term development prospects remain uncertain.

Key conditions and challenges

Iraq's economy, among the world's most oil-dependent, is contracting due to crude oil production cuts and lower global oil prices. GDP contraction reflects the OPEC+ production cuts and the halting of oil exports from the northern oil pipeline since late March 2023, following the International Chamber of Commerce's ruling on a case between Iraq and Türkiye. The economy was kept afloat by the non-oil sector, in part helped by the large 2023 fiscal expansion. Lower oil revenues and significant increase in government expenditures have sharply narrowed the fiscal surplus.

Looser fiscal policy and over dependence on oil have raised vulnerabilities to external shocks, especially considering the risks of spillover from the recent conflict in the Middle East. The 71 percent surge (relative to 2022 outturn) in government spending envisaged in the budget law for 2023 to 2025, driven by a surge in the wage bill and funded by oil revenues, leaves little room for discretionary spending, and fragilizes the goal of stabilizing the economy and consumption smoothing. Iraq's dependence on oil also translates into low labor force participation, exposes households to volatility, and limits the role of jobs in increasing household incomes.

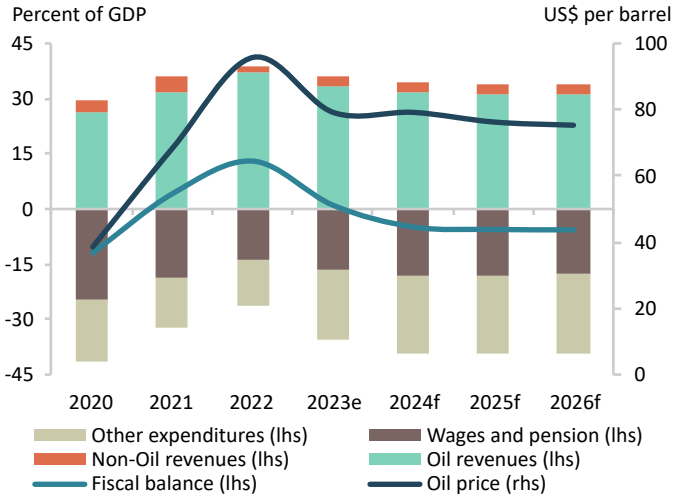
Current reform efforts have to be sustained and deepened to put the economy on a more sustainable path. Reprioritization of expenditures, notably rightsizing the wage bill, better targeting transfers, and a more concerted effort on domestic revenue mobilization, could free up fiscal space for growth-enhancing investment in human and physical capital and improve the long-term fiscal sustainability. Leveraging the oil wealth toward sustainable growth and diversification, reducing the dominance of the public sector, and enhancing the business environment will be essential for economic sustainability and private sector-led growth. Climate change adaptation and mitigation measures can help tackle Iraq's intertwined climate and developmental challenges such as addressing food insecurity and water shortages.

Recent developments

Iraq's economy is contracting due to lower oil production and despite a rebound in the non-oil sector. Following the strong expansion seen in 2022, GDP is estimated to have contracted by 2.5 percent in 2023. Growth was weighed down by OPEC+ production cuts, including Iraq's voluntary cuts, and the halting of oil exports through the Iraq-Türkiye pipeline, which led oil GDP to contract by 7.4 percent. The 5.9 percent y/y bounce back in the non-oil sector reported in the first nine months of 2023 (9M-23), was led by the agriculture sector and non-oil industries that benefitted from CBI lending initiatives, albeit a temporary impact.

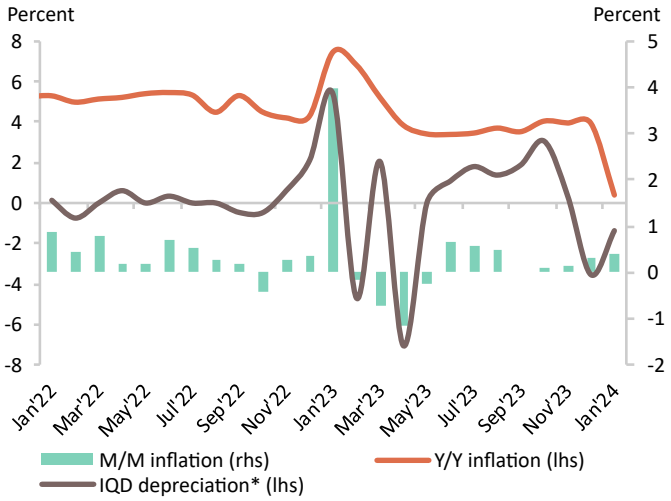
Inflationary pressures have eased in part due to the impact of exchange rate

FIGURE 1 Republic of Iraq / Fiscal account outlook



Sources: Ministry of Finance, Ministry of Oil, and World Bank staff calculations.

FIGURE 2 Republic of Iraq / Consumer price inflation and the parallel market pressures



Sources: Iraq's Central Statistical Organization, Central Bank of Iraq, media, and World Bank staff calculations. Note: *Positive values represent dinar's depreciation against the dollar in the parallel market.

revaluation in February 2023 and tighter monetary policy. After an initial spike in inflation in January-February 2023, sparked by the depreciation of the Iraqi dinar in the parallel market, the revaluation of the dinar against the dollar up by 11.5 percent in February 2023 and the moderation of global commodity prices helped lower inflation. The Central Bank of Iraq (CBI) raised the policy rate by 3.5 percentage points to 7.5 percent, which further curbed inflation and moderate capital outflows. As a result, headline and core inflation eased to 4.3 and 4.0 percent in 2023 y/y, respectively. CBI measures to manage the volatility in the exchange markets have helped reduce the gap between the official rate to 17 percent in February, which is still elevated due to continued FX demand in the parallel market.

Lower oil revenues and the fiscal expansion have narrowed the fiscal and current account surplus. Government revenues, heavily dependent on oil, declined by 16.1 percent y/y in 2023 due to lower oil prices and despite marginally higher export volumes. Total expenditures increased by 21.8 percent y/y but remained significantly below the budget targets. As a result, the fiscal account recorded a small surplus of 0.8 percent of GDP (cash basis), down from a 12.7 percent of GDP surplus in 2022. The current account surplus almost halved in 9M-23 with lower oil exports and is estimated to have narrowed to 2.1 percent of GDP in 2023 given a surge in imports in the last quarter. The shift in the current account halted the previous years' rapid accumulations of official reserves, although these still remain sizeable, at US$102.7 billion or 12.6 months of imports at end-2023.

Outlook

The economic outlook hinges on global oil market prospects and the implementation of the 3-year budget plans. GDP growth is expected to recover to an average of 4.0 percent in 2024-2026 due to a projected rebound in the oil sector. Growth is forecast to peak in 2025 with the planned expiry of oil production cuts. Despite higher projected oil exports, the fiscal expansion is forecast to more than offset this rebound, leading to double deficits starting in 2024. The growing fiscal pressures are forecast to increase gross financing needs to an average of US$24.2 billion per year in 2024 to 2026, while the public debt burden is projected to increase to over 60 percent of GDP in 2025.

Downside risks to the outlook stem from oil market volatility, spillovers from conflict, and climate change. The recent outbreak of conflict in the Middle East has introduced significant downside risks but also upside risks if global oil prices increase. Iraq's heavy reliance on oil makes it particularly susceptible to oil shocks stemming from the conflict, which could lead to disruptions in the flow of oil exports and price fluctuations. The conflict could significantly impact fiscal and external balances, and worsen household food security and welfare, necessitating coping mechanisms such as dissaving and reducing investments in human capital. Spillovers from a broader conflict are also likely to have adverse humanitarian impacts in Iraq, including civilian casualties and displacement. These developments would reverse gains in poverty reduction made in recent years. Climate change impact and severe weather events such as El Niño, could intensify food security risks and add to public grievances.

TABLE 2 Republic of Iraq / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	0.1	7.6	-2.5	1.6	6.1	4.2
Private consumption	2.6	3.9	6.5	4.5	4.0	4.0
Government consumption	4.6	2.2	21.8	8.5	4.7	4.7
Gross fixed capital investment	33.6	11.7	11.8	20.4	9.4	8.5
Exports, goods and services	-13.3	9.7	-7.4	-0.2	8.4	5.2
Imports, goods and services	7.7	4.2	22.0	13.7	7.0	7.0
Real GDP growth, at constant factor prices	1.6	7.6	-2.5	1.6	6.1	4.2
Agriculture	-20.6	-33.3	3.0	2.5	2.2	2.2
Industry	-0.7	13.3	-5.9	0.3	8.0	5.0
Services	9.8	1.3	4.2	4.0	2.8	2.8
Inflation (consumer price index)	6.0	5.0	4.3	3.8	3.4	3.2
Current account balance (% of GDP)[a]	12.0	19.1	2.1	-3.7	-4.0	-4.2
Net foreign direct investment inflow (% of GDP)[a]	-1.3	-0.8	-0.8	-0.8	-0.8	-0.8
Fiscal balance (% of GDP)[a]	4.0	12.7	0.8	-5.1	-5.7	-5.8
Revenues (% of GDP)	36.2	38.9	36.1	34.3	33.8	33.6
Debt (% of GDP)[a]	58.8	40.9	45.5	54.2	64.8	72.1
Primary balance (% of GDP)[a]	4.5	13.5	1.3	-4.8	-5.3	-5.1
GHG emissions growth (mtCO2e)	-13.8	-5.2	6.5	7.8	13.4	10.0
Energy related GHG emissions (% of total)	42.3	42.0	42.8	44.5	46.1	48.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Share of factor cost GDP.

JORDAN

Table 1	2023
Population, million	11.3
GDP, current US$ billion	50.9
GDP per capita, current US$	4491.1
National poverty rate[a]	15.7
School enrollment, primary (% gross)[b]	87.6
Life expectancy at birth, years[b]	74.3
Total GHG emissions (mtCO2e)	39.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017/8).
b/ WDI for School enrollment (2014); Life expectancy (2021).

Jordan has demonstrated resilience amidst consecutive external shocks, preserving macroeconomic stability albeit with growing vulnerabilities associated with climate change and regional conflicts. However, addressing structural challenges in the labor market and the business environment remains essential to achieve sustainable higher economic growth and employment. The country's susceptibility to climate-related shocks further emphasizes the need to tackle water, and energy concerns. A sustained focus on reform implementation would help Jordan break out of its low-growth, low employment equilibrium.

Key conditions and challenges

Despite consecutive regional and global external shocks, Jordan has maintained modest economic growth, averaging around 2.2 percent annually over the past decade, supported by a prudent fiscal and monetary policy mix. Jordan's prudent monetary policy has maintained macroeconomic stability, while the country has also achieved progress in domestic revenue mobilization. However, key structural constraints remain entrenched, notably those related to labor market and business environment. Jordan can break out of its low-growth equilibrium by raising productivity, pursuing investment, and export-led growth.

The latest conflict in the Middle East, that erupted on October 7, 2023, initially affected tourism, trade, and investment sentiment across the region, but especially so for neighboring countries like Jordan. The risk of a prolonged and wider conflict could exacerbate existing challenges such as trade disruptions and rising shipping costs, further squeezing fiscal space in Jordan. Additionally, the financial sustainability of the water and electricity sectors remains a concern. Navigating the current complex external environment requires policy agility to preserve macroeconomic stability while also focusing on the implementation of structural reforms. Jordan is one of the most water-scarce countries in the world, and its vulnerability to extreme weather conditions, including rising temperatures and lower precipitation, exacerbates the risks to water scarcity and food security.

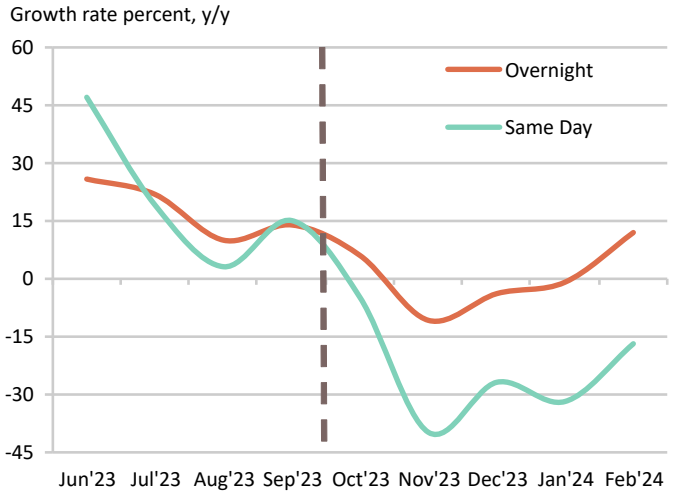
While no new official poverty rate has been released since 2018, it is likely that any negative economic effects of the neighboring conflict would adversely affect the poorest and most vulnerable households. Declining tourism rates will particularly affect those relying on informal employment with little job security. The refugee population in Jordan is particularly vulnerable. According to the Vulnerability Assessment Framework by the WB and UNHCR, two-thirds of registered refugees live under the poverty line.

Recent developments

The remarkable performance in the manufacturing and agriculture sectors, coupled with the continued robust contribution of services, led to a slight increase in growth to 2.7 percent (y-o-y) in Q3-2023. Revised national accounts in October 2023 showed that manufacturing and agriculture registered their highest average growth rates since 9M-2011 and 9M-2010, respectively. The restaurants and hotels sector also witnessed its highest average growth rate since 9M-2012. Despite the initial setback in tourist arrivals due to the eruption of the conflict, the sector is showing some signs of recovery.

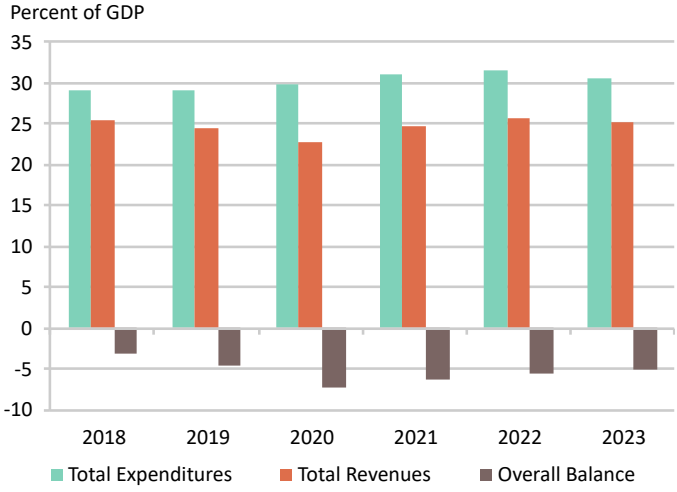
Labor markets slightly improved after declining for three consecutive quarters. Labor force participation improved to

FIGURE 1 Jordan / Tourist arrivals took a hit as the Conflict in the Middle East erupted before gradually picking up again



Sources: Ministry of Tourism and Antiquities and World Bank staff calculations.

FIGURE 2 Jordan / Fiscal performance benefited from lower subsidies in 2023



Sources: Ministry of Finance and World Bank staff calculations.

34.1 percent in Q4-2023, driven mainly by higher female participation which recorded the highest level since Q1-2019 at 15.1 percent in Q4-2023. Meanwhile, unemployment declined slightly to 21.4 percent in Q4-2023, yet it remained above the pre-COVID average. Inflation decelerated to 2.1 percent in 2023, mainly reflecting lower commodity prices and monetary tightening.

Fiscal consolidation continued in 2023, but at a pace that leaves debt at an elevated level. The overall fiscal deficit narrowed slightly, to 5.2 percent in 2023, down from 5.6 percent of GDP in 2022. Total revenues declined mainly due to lower grants and slightly lower tax revenues, which more than offset the increase in non-tax revenue. Spending declined slightly due to the phasing out of fuel subsidies, which offset the increase in interest payments. Meanwhile, capital expenditure increased to 3.8 percent of GDP in 2023, staying below the budgeted amount of 4.4 percent of GDP. However, general government debt level remains elevated, reaching 89.4 percent of GDP in 2023.

The CAD halved to 4.2 percent of the estimated full year GDP in 9M-2023, relative to the same period in 2022. This was mainly driven by lower imports, supported by the decline in international prices of key imports (i.e., oil, wheat, and maize) and improved tourism receipts which collectively more than offset the slight decrease in exports and current transfers in 9M-2023. Portfolio investments increased in 9M-2023, supported by the Eurobond issuance by MoF in April 2023 which more than offset the decline in net FDIs, relative to the same period in 2022. At the end of 2023, CBJ's gross reserves of foreign currencies and gold stood at USD19.1 billion (7.6 months of next year's imports of GNFS), relative to USD18.2 (7.2 months of imports of GNFS) in December 2022.

Outlook

Growth is forecasted to register 2.6 percent in 2023, reflecting slower growth in Q4 2023 attributed to the impact of the conflict in the Middle East. The ongoing conflict is expected to weigh on the performance of sectors that have backward and forward linkages with the tourism sector. Moreover, the shift in consumer behavior is also expected to weigh on domestic consumption. Agriculture sector growth is expected to normalize in 2024 after experiencing a strong rebound in H1 2023 due to a favorable base-effect. Accordingly, a subsequent deceleration of real GDP growth rate to 2.5 percent is anticipated in 2024, followed by a resurgence to 2.6 percent thereafter. Relatively stable prices for imported commodities and muted core inflation are projected to keep inflation in check, despite some transitory impact from higher shipping costs due to the Red Sea disruptions.

Fiscal consolidation is projected to continue, albeit at a tepid pace. Revenue-enhancing measures, along with the expected easing of monetary policy are expected to support domestic revenues. Meanwhile, the primary fiscal deficit is projected to continue narrowing, turning into a surplus in 2025 as primary expenditure remain contained. However, the overall fiscal deficit is projected to increase slightly in 2024 due to higher interest payments, before beginning to narrow in subsequent years. Nevertheless, remaining fiscal pressures from the water and electricity sectors are expected to keep Central Government debt levels elevated and growing in the short- to medium-term, while the General Government debt is projected to decrease thanks to continued operating surpluses of the Social Security Investment Fund.

The CAD is projected to continue narrowing supported mainly by the lower trade deficit and higher tourism receipts in 2023, relative to the previous year. Further containment of imports and higher current transfers are projected to support lower CAD in 2024. However, while the baseline projections assume that the conflict in the Middle East will end in the short term, the duration and extent of the conflict may impact the pace of improvement through lower tourism receipts, changes in domestic consumption patterns, trade flow disruptions, and increased shipping costs, which can affect value chains and production costs.

TABLE 2 Jordan / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.7	2.4	2.6	2.5	2.6	2.6
Real GDP growth, at constant factor prices	3.7	2.5	2.7	2.6	2.7	2.7
Agriculture	6.6	3.3	5.4	2.4	2.4	2.4
Industry	2.7	3.3	3.0	2.6	2.5	2.4
Services	4.0	2.0	2.4	2.6	2.8	2.8
Inflation (consumer price index)	1.3	4.2	2.1	2.0	2.1	2.1
Current account balance (% of GDP)	-8.0	-7.7	-6.8	-6.4	-5.7	-4.8
Net foreign direct investment inflow (% of GDP)	1.3	2.6	2.5	2.6	2.8	3.0
Fiscal balance (% of GDP)[a]	-6.2	-5.6	-5.2	-5.6	-5.4	-5.1
Revenues (% of GDP)	24.7	25.8	25.3	25.9	26.2	26.3
Expenditures (% of GDP)[a]	30.9	31.5	30.5	31.5	31.6	31.4
Central government debt (% of GDP)[b]	108.8	111.4	114.1	115.2	116.1	116.5
General government debt (% of GDP)[b]	87.5	88.8	89.4	88.9	88.2	87.1
Primary balance (% of GDP)[a]	-1.9	-1.5	-0.4	-0.3	0.1	0.5
GHG emissions growth (mtCO2e)	3.2	3.3	4.2	2.4	2.6	2.6
Energy related GHG emissions (% of total)	62.1	61.3	61.3	61.2	61.0	60.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.
b/ GG coverage refers to CG debt excl. the holdings of the Social Security Corporation (SSC) investment arm. Based on current pension entitlements, the SSC's financial surplus is projected to gradually decline and turn into a deficit, leading GG debt ratio to converge to CG debt ratio over the longer term.

KUWAIT

Table 1	2023
Population, million	4.3
GDP, current US$ billion	161.8
GDP per capita, current US$	37528.6
Life expectancy at birth, years[a]	78.7
Total GHG emissions (mtCO2e)	161.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for Life expectancy (2021).

In 2023, Kuwait's economy significantly decelerated following strong performance in 2022, with expectations of stabilization in the medium term. This downturn is largely attributed to OPEC+ oil production cuts and weak global economic activity. A negative fiscal balance has occurred, driven by low energy prices and fiscal expansion, and is expected to persist into 2024. The economic forecast remains uncertain, clouded by geopolitical tensions, slowdowns in major economies, oil price fluctuations, and political gridlock on reforms, with the potential for political transformation from a change in government offering new prospects for reform.

Key conditions and challenges

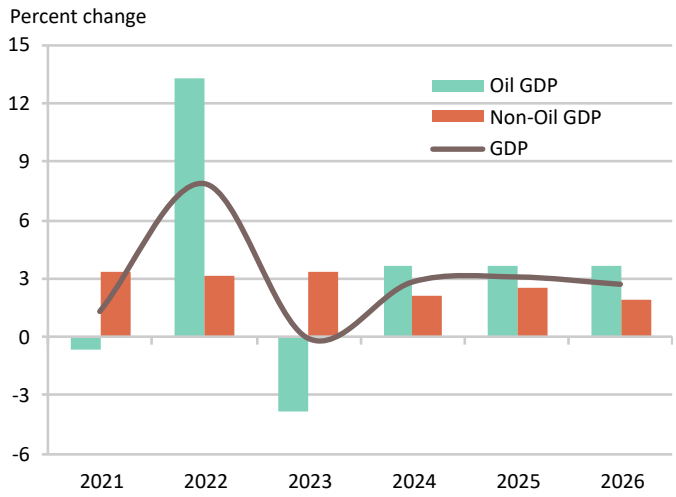
Kuwait's long-term economic outlook is significantly impacted by its heavy dependence on oil, while structural reforms are being delayed. Key risks are oil market volatility, global economic slowdown, escalation of geopolitical tensions and climate shocks, as well as domestic challenges, including an oversized public sector, frequent government changes and a lack of reforms momentum. On the upside, a decrease in global inflation and an increase in global demand could lead to favorable outcomes. Key challenges include substantial public sector employment, regional competitiveness lag, fostering a dynamic economy for youth, alignment behind a national vision, and enhancing economic productivity. Macroeconomic stability is underpinned by the world's largest sovereign wealth fund, the Kuwait Investment Authority (KIA) and its significant foreign assets, yet such resources cannot fully buffer against short-term oil market volatility. Addressing these vulnerabilities requires comprehensive fiscal and structural reforms. Overcoming political deadlock and enhancing government stability is critical to accelerate economic diversification and related structural reforms. The government's 2024-27 work plan for Kuwait, outlined in February 2024, aims to reduce unsustainable public spending, and decrease reliance on oil revenues. Additionally, it endeavors to curb unsustainable fiscal policies and promote private sector expansion by enhancing liquidity management, implementing tax reforms, and adjusting subsidies. Moreover, expectations of sustained high oil prices in the medium term could support the financing of the economic transition towards sustainable, inclusive, and environmentally friendly growth.

Recent developments

In 2023, economic growth significantly decelerated mainly due to OPEC+'s production quota cuts, and a global slowdown, resulting in an overall GDP decline of -0.1 percent. Annual oil output is estimated to have declined by 3.8 percent, affected by a 9 percent year-on-year decline in Q3 2023 only (for the second consecutive quarter), due to oil production cuts undertaken as part of Kuwait's OPEC+ obligations. Nonetheless, the economy benefitted from the expansion of the Al Zour oil refinery. The non-oil sector, however, showcased resilience, recording a 1.5 percent growth in Q2 2023, and expanded further by 2.8 percent in Q3 2023, leading to an estimated 3.3 percent in 2023. This was driven by both domestic and international demand, high oil prices, increased government expenditure, and the restart of projects disrupted by the pandemic.

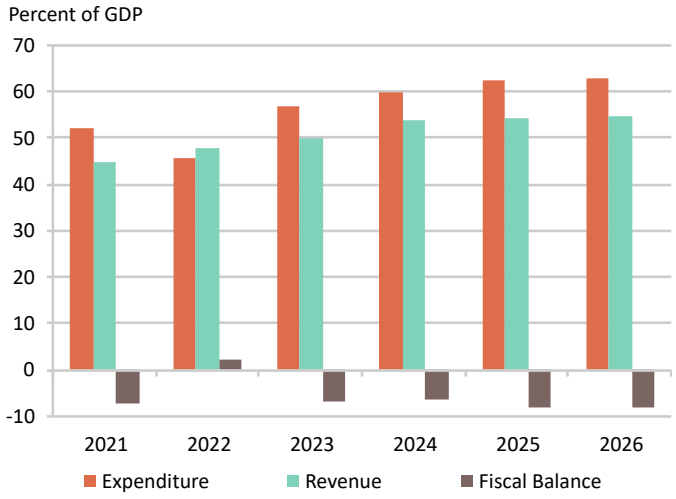
Tight monetary policy, coupled with slow economic growth and substantial government subsidies for food and energy, contributed to a containment of inflationary pressures to 3.6 percent in 2023,

FIGURE 1 **Kuwait** / Annual real GDP growth



Sources: Kuwait CSB, IMF WEO, and World Bank staff estimates.

FIGURE 2 **Kuwait** / Public finances



Sources: World Bank and IMF WEO.
Notes: Based on the fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

with a further decline to 3.3 percent observed in January 2024.

The fiscal account recorded a deficit of 6.8 percent of GDP (excluding investment income and the Future Generation Fund transfers), due to a 27 percent drop in revenue and a 55 percent surge in expenditures, primarily from increased salaries, grants, and subsidies spending in the first three quarters of FY2023-24.

The banking sector remains stable despite a slowdown and continues to be well-capitalized and liquid. Nonperforming loans are contained at a low level (1.7 percent in Q3-2023). In 2023, domestic credit growth decelerated to 1.7 percent from 7.7 percent in 2022, with a slight uptick of 0.9 percent in Q4 driven by strong credit for securities purchases and financial institutions, despite a significant decline in business and household credit. Following global trends and the US Federal Reserve (given the predominant role of the US dollar in the Kuwaiti Dinar's pegged basket), the central bank increased policy rates multiple times, from 1.5 percent in January 2022 and stabilizing at 4.25 percent as of January 2023, while maintaining reserves at comfortable levels of 4.6 months of import in first 3 quarters of 2023. The current account surplus declined to 29.3 percent of GDP in 2023 (down from 32.1 percent in 2022), owing to declining oil revenues and a reduction in global demand.

Kuwait's labor market continues to recover from the impact of the pandemic, although many indicators have not yet rebounded to their pre-pandemic levels. The labor force participation rate is projected at 71.3 percent in 2024 (ILO modelled estimates), below the projections for 2023 as well as the pre-pandemic rate. The employment-to-population ratio is projected at 69.9 percent in 2024, remaining about 1.6 percentage points lower than in 2019. Unemployment rates are projected to remain relatively steady in 2023 at 0.9 percent among men and 5.7 percent among women, still higher than the 2019 rates by 0.2 and 0.6 percentage points, respectively. Unemployment rate projections are especially high for young women (aged 15-24), at 28.7 percent for 2024.

Outlook

Economic growth is expected to recover to 2.8 percent in 2024, supported by expansionary fiscal policies, higher oil production, and increased output from Al Zour refinery. Oil output is expected to grow by 3.6 percent, as OPEC+ announces extension by mid-2024 of additional voluntary cuts (135 tb/d for Kuwait), with global oil prices remaining robust. An improvement in domestic credit is expected in 2024, driven by a sharp pick up in project awards, stable or declining interest rates, and the low base effect from 2023. The non-oil sector is projected to grow by 2.1 percent, but still relatively elevated interest rates may restrain domestic consumption, preventing the economy from achieving its full potential. Moreover, ongoing political uncertainties may delay the implementation of new infrastructure projects and slow the pace of reform initiatives.

The fiscal deficit is projected to persist in the medium term, influenced by the current expansionary fiscal stance. In the absence of economic diversification, oil revenue remains the government's predominant source of income. To ensure fiscal stability and reduce procyclicality, it is key to further reduce oil revenue dependency and advance the Vision 2035 goals, alongside strengthening public financial management. Creating space for private sector activity, introducing VAT in alignment with other GCC countries), as well as other fiscal adjustments could broaden revenue sources and support the diversification agenda.

External accounts are expected to maintain a strong trade surplus at 22.7 percent of GDP in 2024, driven by oil exports. Benefits from the recovering tourism industry are expected to be offset by a deficit in services and increased payments to international contractors engaged in the Vision 2035 strategic development plan and 2024-2027 work plan. This is expected to trigger a gradual narrowing of the current-account surplus to 20.7 percent of GDP by 2026, down from an estimated 29.3 percent in 2023.

TABLE 2 **Kuwait** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.3	7.9	-0.1	2.8	3.1	2.7
Private consumption	3.2	4.8	2.0	2.5	2.6	2.5
Government consumption	1.1	2.0	2.3	2.4	2.5	2.5
Gross fixed capital investment	3.9	4.4	1.8	2.5	2.9	2.3
Exports, goods and services	2.2	12.0	-1.9	3.1	3.2	3.2
Imports, goods and services	5.7	5.3	1.6	2.5	2.3	2.8
Real GDP growth, at constant factor prices	1.4	7.9	-0.1	2.8	3.1	2.7
Agriculture	0.5	1.1	0.1	1.1	1.1	1.2
Industry	2.2	8.3	0.2	3.3	3.3	3.3
Services	0.4	7.3	-0.6	2.1	2.8	1.9
Inflation (consumer price index)	3.4	4.0	3.6	3.0	2.6	2.4
Current account balance (% of GDP)	23.9	32.1	29.3	22.7	21.9	20.7
Fiscal balance (% of GDP)[a]	-7.2	2.2	-6.8	-6.3	-8.0	-8.0
GHG emissions growth (mtCO2e)	10.7	6.1	1.4	5.0	6.7	6.9
Energy related GHG emissions (% of total)	68.0	68.1	66.8	66.5	66.7	66.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Based on fiscal year cycle (April to March 31). Fiscal balances exclude investment income and FGF transfers.

LEBANON

Table 1	2023
Population, million	5.4
GDP, current US$ billion	17.9
GDP per capita, current US$	3350.3
National poverty rate[a]	27.4
Gini index[a]	31.8
Life expectancy at birth, years[b]	75.0
Total GHG emissions (mtCO2e)	23.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011).
b/ Most recent WDI value (2021).

In Q4 2023, Lebanon was hit by yet another large shock: the spillover effects from the conflict in the Middle East centered in Gaza. The escalation in military confrontation in southern Lebanon has caused substantive infrastructural damage, and primarily affected the tourism and agriculture sectors, further weighing down on Lebanon's crisis-ridden economy, amidst prolonged political paralysis. With the ongoing conflict the economy is expected to have contracted by 0.2 percent in 2023. Subject to high uncertainty, and assuming a cessation of clashes in H2-2024, real GDP growth is projected at 0.5 percent for 2024.

Key conditions and challenges

Military confrontation between Lebanon and Israel has been escalating and widening in South Lebanon since October 2023, resulting in hundreds of casualties and injuries, and mass displacement of close to 90,000 individuals in Lebanon. Tens of thousands of households in South Lebanon have lost their livelihoods, and hundreds of houses have been destroyed amid massive destruction to local infrastructure. Agricultural lands in the south have suffered substantial damage, burning and contamination. For a tourism dependent economy, the shock to tourism that started in Q4 of 2023 has knock-off effects for economic growth.

The conflict is further weighing on Lebanon which remains mired in a crippling socio-economic crisis, amidst political and institutional vacuum. A presidential vacuum since October 2022, a caretaker government with restricted executive powers, an interim central bank governor, limited legislative action by parliament, and no political appetite to undertake urgent reforms necessary to get the country out of the four-year-old unprecedented crisis, all contribute to a bleak outlook on sustainable economic recovery.

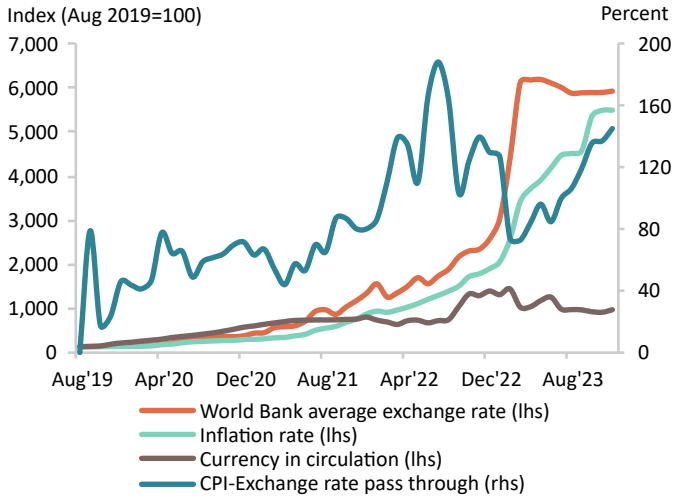
Food insecurity is on the rise in Lebanon, with average annual and food inflation rates soaring in recent years. The gradual removal of foreign exchange subsidies on food has led to significant increases in food prices, which were further exacerbated by the war in Ukraine. Almost two-thirds of households surveyed in early 2023 reported having to reduce their food purchases compared to pre-crisis 2019, with many relying on less preferred or cheaper food options. Close to a third of households have had to cut back on meals or limited adult consumption to feed children, with Syrian refugee households being disproportionately affected. Recent surveys by Gallup and Arab Barometer further confirm the severity of the situation, with a high percentage of households running out of food or lacking money to buy more, and many children going to bed hungry or skipping meals.

Recent developments

After four years of sharp contraction, equivalent to 33.7 percent of real GDP between 2018-2022 and marking one of the worst economic downturns in modern history, the pace of Lebanon's contraction in economic activity decelerated to 0.2 percent in 2023. Prior to the conflict, a slight economic expansion of 0.2 percent was projected for 2023, in part driven by strong tourism receipts in the first 9 months of the year. The continued contraction in economic activity is primarily driven by the sharp shock to tourism spending undermining consumption growth, compounded by reduced business activity, and a disruption to trade activity, all materializing in Q4 of 2023.

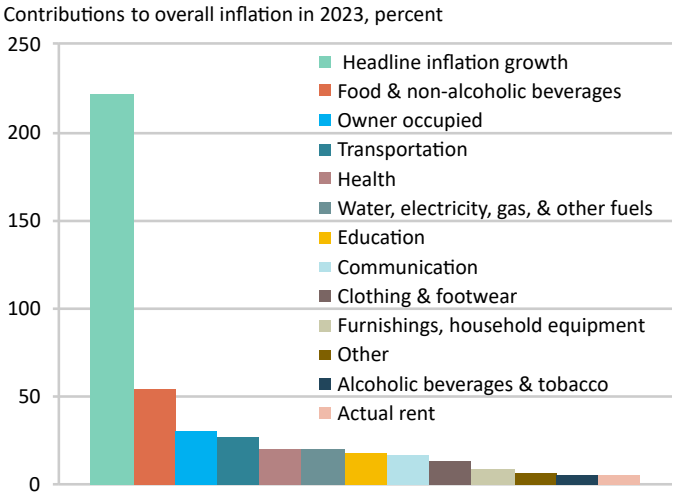
Increased revenue, resulting from the correction of exchange rate mis-valuations

FIGURE 1 Lebanon / Exchange rate depreciation drives the surge in inflation



Sources: Lebanese authorities and World Bank staff calculations.

FIGURE 2 Lebanon / Inflation in basic items has been a key driver of overall inflation, hurting the poor and the middle class



Sources: Lebanese authorities and World Bank staff calculations.

for customs and taxes, coupled with expenditure restraints in the absence of a ratified budget and monetary financing, resulted in a fiscal surplus of 0.5 percent of GDP in 2023. Revenues are estimated to have increased from 6.1 percent of GDP in 2022 to 15.3 percent of GDP in 2023 thanks to revenue mobilization measures in the 2022 budget which materialized in 2023 and the decision to collect port and airport fees in US$ starting in 2023. The new BdL management's halt of decades long monetary financing of the budget in the second half of 2023, has also supported the overall fiscal and primary surplus. Parliament ratified the 2024 government budget in February 2024, within the constitutional deadline for the first time in two decades. The 2024 government budget projects a zero fiscal balance, with revenues and expenditures at 17.3 percent of GDP. The fiscal balance, however, does not take into account past arrears and foreign currency loans of the government. In essence, the budget 2024 represents a missed opportunity to enact much needed comprehensive change to deficient budget processes and fiscal policy. The ratified budget remains a simple summation of the cost of inputs for each of the ministries, and a compilation of regressive tax revenues, as tax revenues constitute 79 percent of total revenues, of which 76 percent are indirect taxes.

After losing more than 98 percent of its value since the onset of the crisis, the Lebanese pound has stabilized at an exchange rate of 89,700 LBP/US$ since mid-2023, in tandem with the change in BdL management. The stabilization of the exchange rate is primarily owed to (i) the stoppage of the Sayrafa platform (the main platform used for foreign exchange interventions by the central bank) in July 2023, (ii) an increase in foreign exchange inflows from tourism and remittances for the most of 2023, and a (iii) a decrease in currency circulation which is easing exchange rate pressures. Central bank gross reserves (liquid reserves) have increased by US$883 million in the last five months of 2023, primarily driven by the halt of the Sayrafa platform and BdL purchases of US$ supply from foreign currency inflows.

Inflation accelerated to 221.3 percent in 2023, primarily on account of the steep depreciation of the LBP in the first half of 2023. The exchange rate stabilization in the second half of 2023 has, however, steadily decreased month-to-month inflation to an average of 1.2 percent between August and December 2023 (excluding October that witnessed a more than sixfold increase in the education CPI component); this supports a positive outlook for decelerating inflation in 2024.

The current account (CA) deficit is projected to narrow to 11 percent of GDP in 2023, following a dramatic increase to 32.7 percent of GDP in 2022. The estimated contraction in the CA deficit, from US$6.9 billion in 2022 to US$2 billion in 2023, has been driven by a narrowing trade-in-goods deficit. According to customs data, imports of goods have decreased by 9.4 percent (yoy) in 7M-2023. A 10 percent of GDP surplus in trade-in-services, primarily driven by tourism receipts in the first three quarters of 2023, also contributed to a lower CA deficit.

Outlook

As the country adjusts to a volatile security situation, and assuming a cessation of hostilities in 2024 H2, real GDP growth is projected at 0.5 percent in 2024. Growth in private consumption supported by tourism, remittances and a stabilization in private sector activity will underpin a continued yet volatile bottoming out of the economy and drive modest growth in 2024. Because tourism tends to be volatile and subject to external and internal shocks (the spillover of the current conflict being a case in point), the sector cannot substitute for more sustainable and diverse drivers of growth. Without a crisis resolution plan, and a new sustainable growth model, further erosion of the country's physical, human, social, and natural capital stock is likely. As the components of the CPI basket are increasingly dollarized, inflation is projected to decrease in 2024 to double digits at 83.9 percent.

TABLE 2 Lebanon / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f
Real GDP growth, at constant market prices	-7.0	-0.6	-0.2	0.5
Private consumption	2.1	2.3	0.2	0.4
Government consumption	-76.0	34.9	-18.4	1.5
Gross fixed capital investment	-67.6	-88.6	-57.9	-18.1
Exports, goods and services	13.1	0.3	2.8	-0.9
Imports, goods and services	-12.2	3.5	-0.3	-0.6
Real GDP growth, at constant factor prices	-5.3	-0.6	-0.2	0.5
Agriculture	-7.1	-0.8	0.5	0.5
Industry	-6.9	-0.6	0.7	-0.2
Services	-4.9	-0.6	-0.4	0.7
Inflation (consumer price index)	150.0	171.2	221.3	83.9
Current account balance (% of GDP)	-12.5	-32.7	-11.0	-10.4
Net foreign direct investment inflow (% of GDP)	8.5	0.8	0.6	1.5
Fiscal balance (% of GDP)	0.9	-2.9	0.5	0.0
Revenues (% of GDP)	7.5	6.1	15.3	17.3
Debt (% of GDP)	172.5	179.7	201.2	180.4
Primary balance (% of GDP)	1.8	-2.5	1.6	0.4
GHG emissions growth (mtCO2e)	-16.6	-6.1	3.2	-3.8
Energy related GHG emissions (% of total)	68.5	68.6	73.2	72.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

LIBYA

Table 1	2023
Population, million	6.9
GDP, current US$ billion	50.5
GDP per capita, current US$	7327.2
School enrollment, primary (% gross)[a]	106.9
Life expectancy at birth, years[a]	71.9
Total GHG emissions (mtCO2e)	99.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Challenges in deploying a unified and effective State response to the devastating floodings in the eastern part of the country in September 2023 have highlighted Libya's fragilities. Competition over the control of the oil wealth and rent seeking continue to weaken the health of the economy and citizen trust. Libya's key challenges remain to find a peaceful resolution of the political divisions, improve the transparent and effective management of the oil wealth, and rebuild and diversify the economy.

Key conditions and challenges

The devastation of part of Libya's eastern coastal region caused by storm Daniel and the floodings led to a moment of national solidarity but did not trigger more lasting political reconciliation and consensus. The effectiveness of the authorities' response quickly ran into political divisions and two distinct reconstruction funds were announced by the parallel governments.

More recently influential Libyan political leaders from both the eastern and western parts of the country and some geopolitical leaders are renewing efforts to unlock the country's political deadlock through the formation of an interim government to organize elections. Diplomatic efforts from the United Nations and geopolitical leaders have also increased discussions with the internationally recognized Government of National Unity which rejects the formation of a caretaker government.

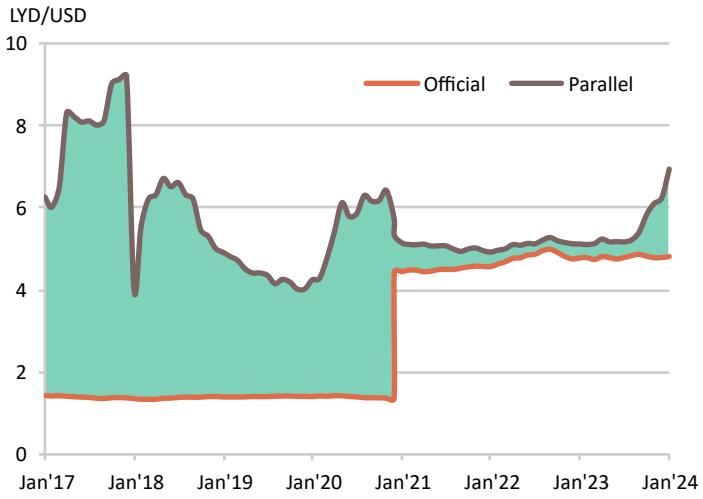
The Libyan economy is dominated by the hydrocarbon sector and remains undiversified with a bloated public sector. The oil and gas sector represents 60 percent of GDP, 94 percent of goods and services exports, and 97 percent of total government revenues in 2023. The private sector is underdeveloped and employs less than 14 percent of the workforce.

Social conditions have deteriorated over the past years due to high unemployment, low labor force participation, income disparities, and poor public infrastructure and services. Only half of the working-age population is active in the labor market and mostly engaged in the public sector (44 percent). The unemployment rate is estimated at 15.3 percent (National Labor Force Survey 2022), with higher rates among women and youth (18.4 and 23.1 percent respectively). While no official poverty estimates are available yet, the average monthly household consumption expenditure is 3094 libyan dinar or about US$645 according to the recently released Household Consumption Survey (2023). Reported consumption inequality, measured by a Gini coefficient of 0.31, is slightly lower than income inequality at 0.33 (Household Consumption Survey 2023). Access to basic services such as water has become more challenging, particularly in the aftermath of the floods in Derna and groundwater upsurge in Zliten.

Recent developments

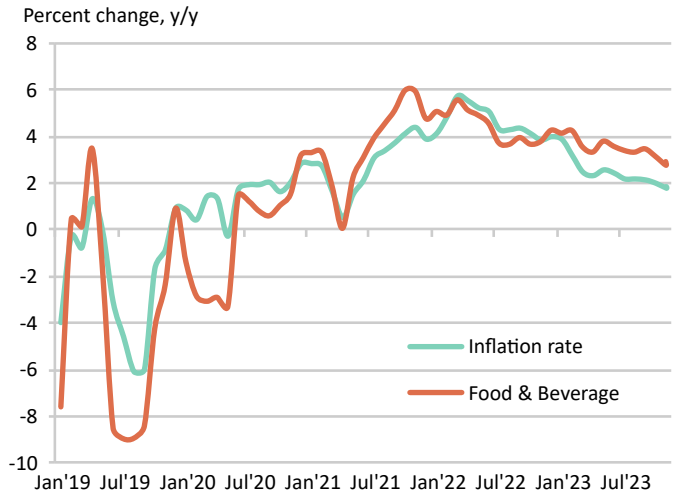
The Libyan GDP at factor prices grew by 10.5 percent in 2023 mainly driven by the hydrocarbon sector. Oil production increased by 11 percent on an annual basis to 1.18 million bpd thanks to the improved security conditions and limited disruptions from the Derna floodings,the resumption of activities by several companies, higher financing for investment and maintenance for the National Oil Company as well as exemption from the Organization

FIGURE 1 **Libya** / LYD/USD exchange rate in the official and parallel markets



Source: Central Bank of Libya.

FIGURE 2 **Libya** / Official inflation rate in the region of Tripoli



Sources: Central Bank of Libya and World Bank staff calculations.

of the Petroleum Exporting Countries (OPEC) output cuts.

External surpluses have narrowed in 2023 driven by lower global oil prices. During the initial ten months of 2023, the trade surplus contracted by 56 percent in nominal terms compared to the same period in 2022 as export revenues dropped by 44 percent and imports fell by 27 percent.

According to official figures, inflation eased from 4.6 to 2.3 percent between 2022 and 2023. Inflation remains mainly driven by food prices which affects more poor and vulnerable households. While the dinar was overall stable in nominal terms in 2023, the gap between the official and parallel market rates has widened since October 2023. The gap reached 27 and 43 percent in December 2023 and February 2024 respectively, in comparison to 7 percent on average during the first nine months of 2023. The widening gap is driven by higher demand for foreign exchange fueled by weak fiscal discipline and high public spending, trade and financial policies deficiencies translating into large informal and illicit trade. In March 2024, the Central Bank of Libya (CBL) announced the introduction of a tax on FX sales of 27 percent.

The GNU budget was overall balanced in 2023 with a deficit of 0.1 percent of GDP. Government revenues dropped by 6 percent in nominal terms compared to 2022 while spending decreased by 1.7 percent despite a 26 percent increase of the wage bill. In 2023, the GNU transferred an extra budgetary allocation of 11 percent of GDP to the NOC and General Electricity Company of Libya (GECOL). The public wage bill, subsidies, and social transfers represent respectively 51 and 16 percent of government spending. Notwithstanding oil revenues and fuel subsidies are underrepresented since 2021 when the NOC established a barter system oil for fuel.

Outlook

The Libyan economy is expected to grow between 4.8 and 5.8 percent over 2024-2026 assuming overall political and oil sector stability is maintained. On the demand side, growth would be driven by government spending and investment. A public investment rebound is also expected assuming at least part of a reconstruction program is implemented under agreed political and institutional arrangements.

Inflation is projected to stabilize at 2.4 percent in 2024 and 2025 thanks to less volatile global commodity prices and progress toward the full reunification of the central bank.

On the fiscal front, the Budget of the GNU is expected to be nearly balanced as improved government revenues are counterbalanced by more spending on wages and subsidies and part of the needed reconstruction. The current account surplus is projected to stabilize at around 26-28 percent of GDP during the 2024-2026 period assuming oil production stabilizes.

This outlook is subject to significant uncertainty and downside risks. Recent social unrests in January 2024 in southern Libya and threats to shut down oil fields across the country by the Petroleum Facility Guards (PFG) in February 2024, along with clashes in Tripoli, highlight the fragility of the situation. Prospects for political stability and consensus remain uncertain but would be a major upside for the Libyan economy and citizens.

TABLE 2 **Libya** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	153.5	1.3	-1.7	4.8	5.3	5.8
Private consumption	136.8	-4.2	-12.8	2.8	4.5	4.1
Government consumption	41.6	23.2	-2.2	3.9	5.4	7.2
Gross fixed capital investment	255.2	5.5	-19.6	8.4	1.6	-1.1
Exports, goods and services	126.1	-19.9	7.1	5.8	6.8	7.1
Imports, goods and services	46.6	-13.9	-16.5	5.4	5.7	5.2
Real GDP growth, at constant factor prices	114.5	2.4	10.5	4.8	5.3	5.8
Agriculture	6.0	10.0	6.8	4.0	6.0	4.0
Industry	223.0	-12.1	12.5	5.1	5.7	6.3
Services	28.8	32.4	7.8	4.4	4.7	5.1
Inflation (consumer price index)	2.8	4.6	2.3	2.5	2.4	2.9
Current account balance (% of GDP)	11.9	22.1	24.6	26.3	28.0	28.5
Fiscal balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
Revenues (% of GDP)	49.0	49.6	51.7	51.6	52.9	52.2
Debt (% of GDP)	72.5	57.6	54.5	58.1	62.2	58.9
Primary balance (% of GDP)	9.2	2.1	-0.1	-0.1	-0.7	-2.2
GHG emissions growth (mtCO2e)	68.9	-10.1	-13.0	4.0	13.4	11.4
Energy related GHG emissions (% of total)	58.8	60.9	62.6	62.4	61.1	62.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

MOROCCO

Table 1	2023
Population, million	37.8
GDP, current US$ billion	143.1
GDP per capita, current US$	3782.4
National poverty rate[a]	4.8
Lower middle-income poverty rate ($3.65)[a]	9.8
Gini index[a]	39.5
School enrollment, primary (% gross)[b]	114.2
Life expectancy at birth, years[b]	74.0
Total GHG emissions (mtCO2e)	90.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014).
b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth has accelerated thanks to a partial recovery of agricultural output, solid manufacturing and services exports, and supportive macroeconomic policies. But the country faces adverse labor market dynamics as the private sector is still recovering from recent shocks and a five-year long drought is destroying rural jobs. Limited employment opportunities and eroded real disposable incomes due to the recent inflationary surge are likely to have negative impacts on welfare, which will be partly mitigated by ongoing social protection reforms.

Key conditions and challenges

Despite a challenging global environment, Morocco is leveraging its presence in international markets. Dynamic manufacturing and services exports together with workers' remittances are contributing to a pronounced improvement in the current account balance. The succession of greenfield FDI projects announced in recent months suggests that Morocco has become increasingly attractive for foreign investors. Low sovereign spreads and a stable currency are additional signs of the confidence instilled by the Moroccan economy.

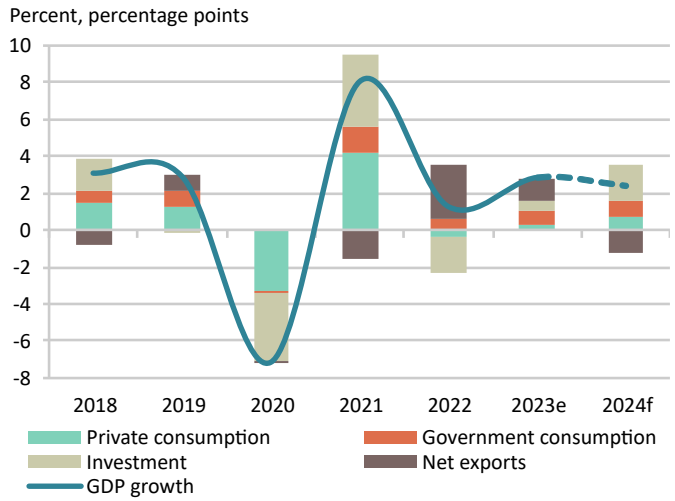
Yet, the private sector still lacks the dynamism that would be required to meet the landmark targets of the New Development Model. Estimated potential growth is half of that which would be needed to double per capita income levels by 2035. Gross capital formation continues to be led by the public sector, while domestic private investment is still recovering from recent shocks. The performance of labor markets remains underwhelming, with a spike in unemployment and a sustained increase of inactivity that disproportionately affects women and the youth. Although the recent inflationary shock is subduing, labor income losses, especially in rural areas, could have a negative impact on households' purchasing power and welfare.

After five consecutive years of drought, water scarcity is posing a growing threat to the Moroccan economy and society. Rainfall has remained well below historical averages since 2019, reducing dams' filling rates to little over 25 percent and aggravating the overexploitation of underground water sources. The government is responding to the looming water crisis with the deployment of new infrastructure, including desalination plants. It is also imposing water restrictions on irrigated agriculture and other activities, which may need to be tightened if climatic conditions do not improve.

Recent developments

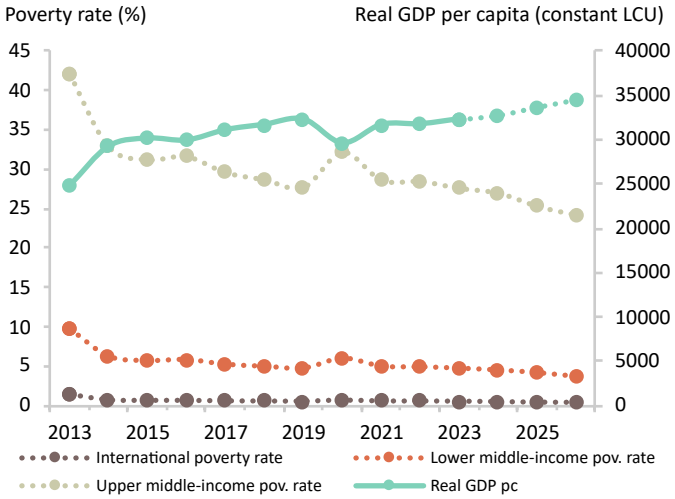
The expansion of the agricultural sector owing to a base effect and the strong performance of tourism-related services have pulled real GDP growth to 2.8 percent in 2023. Although some export-oriented niches are growing at double digits, industrial growth has been dampened by the contraction of phosphates - fertilizers and the construction sector. On the demand side, growth has been pulled by net exports and (mostly public) investment. After contracting in 2022, private consumption increased moderately in 2023 supported by a decline in inflation from 10.1 percent in February 2023 to 2.3 percent in January 2024. In the context of weakening price pressures, the central bank has maintained the monetary policy rate unchanged at 3 percent since March 2023, back in positive territory in real terms.

FIGURE 1 Morocco / Real GDP growth and contributions to real GDP growth



Sources: HCP and World Bank staff estimates.

FIGURE 2 Morocco / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The current account deficit declined from 3.5 to 0.4 percent of GDP due to a rebound of tourism inflows, a 27.5 percent expansion of automobile and electronics exports, lower energy prices, and strong remittances. Gross FDI inflows contracted by 17.8 percent, to 2.2 percent of GDP, but new greenfield investment projects continue to be announced.

The budget deficit declined from 5.4 to 4.3 percent of GDP in 2023. An emergency plan for the water sector and ongoing social sector reforms are exerting pressures on public spending, which increased by 5.8 percent in 2023. But this was more than offset by the dynamism of tax and especially non-tax revenues originating from asset monetization operations.

Despite rising economic growth, the labor force participation rate decreased to 43.6 percent in 2023 (-0.7 p.p), with a gender gap of 50 p.p. Unemployment increased to 13 percent. Although most of the job losses are in rural, non-remunerated activities, unemployment is concentrated among the educated urban youth. Losses in labor income may explain the drop in household confidence, at its lowest level since 2008. Households lament a worsening of living conditions due to high food prices and the deterioration of public services, education in particular.

Outlook

Real GDP growth is projected to decline to 2.4 percent in 2024 and to accelerate to 3.7 percent in 2025. The agricultural sector is expected to contract by 2.8 percent, as unusually dry and warm conditions are compromising key crops. On the contrary, the manufacturing sector is expected to accelerate to 2.3 percent, supported by the continued momentum of the automotive and electronic industry, an improved performance of phosphates and fertilizers, and a more dynamic construction sector pulled by new programs of direct financial support to home-buyers and the post-earthquake reconstruction effort. The services sector is expected to slow moderately (to 3.7 percent), as tourism begins to revert to long-term growth patterns. On the demand side, private consumption is projected to gradually firm-up, supported by milder inflationary pressures.

The current account deficit is projected to widen to 2 percent of GDP as domestic demand recovers and cereal imports increase. It will continue to be financed by long-term official debt and FDI inflows, which are expected to increase as the recently announced projects begin to materialize. The solid progression of tax and non-tax revenues will allow the government to maintain the budget deficit on a downward trend despite a solid growth of public spending pulled by social sector reforms and ongoing water investments. This would allow public debt to slightly decline over time (as a ratio of GDP).

The balance of risks remains tilted to the downside. A continuation of the drought would depress agricultural output and potentially affect other sectors. More geopolitical tensions could adversely affect Morocco's terms-of-trade and slow the disinflation process. The ongoing fiscal consolidation increasingly relies on asset monetization operations that create a stream of future payment obligations from the State.

In 2023, poverty fell to its pre-covid levels and will continue to slowly decrease in 2024, despite the announced negative performance of the agricultural sector. At the national level, the new direct cash transfer program, better targeted and more generous than the previous ones, will at least partly compensate welfare losses from price rises and rising inactivity. However, for the growth process to be more inclusive and resilient, a more intense job creation is more than ever needed, especially for women and youth.

TABLE 2 **Morocco** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.0	1.3	2.8	2.4	3.7	3.3
Private consumption	6.9	-0.7	0.5	1.3	2.1	2.3
Government consumption	7.2	3.3	3.6	4.6	4.1	3.6
Gross fixed capital investment	7.6	-2.2	6.3	4.4	4.6	4.9
Exports, goods and services	7.9	20.4	10.8	7.6	8.3	8.1
Imports, goods and services	10.4	9.0	6.4	8.8	6.3	7.0
Real GDP growth, at constant factor prices	7.8	1.0	3.1	2.4	3.7	3.3
Agriculture	19.0	-12.7	6.7	-2.8	8.1	0.7
Industry	7.1	-1.7	-0.4	2.3	2.5	3.1
Services	5.8	5.4	4.0	3.7	3.3	4.2
Inflation (consumer price index)	1.4	6.6	6.1	2.2	2.4	2.1
Current account balance (% of GDP)	-2.3	-3.5	-0.4	-2.0	-2.4	-2.1
Net foreign direct investment inflow (% of GDP)	1.1	1.2	0.1	1.0	1.1	1.2
Fiscal balance (% of GDP)	-6.0	-5.4	-4.3	-4.1	-3.5	-3.0
Revenues (% of GDP)	25.3	28.7	28.6	28.3	27.4	26.8
Debt (% of GDP)	69.5	71.6	70.6	70.2	69.5	68.4
Primary balance (% of GDP)	-3.7	-3.2	-2.2	-1.6	-1.0	-0.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.6	0.6	0.6	0.5	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	5.0	4.9	4.7	4.5	4.2	3.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	28.7	28.5	27.6	27.0	25.4	24.2
GHG emissions growth (mtCO2e)	5.4	-0.7	0.5	1.0	2.7	2.7
Energy related GHG emissions (% of total)	74.7	74.7	74.6	74.8	75.4	75.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2013-ENCDM. Actual data: 2013. Nowcast: 2014-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2013) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

OMAN

Table 1	2023
Population, million	4.6
GDP, current US$ billion	108.2
GDP per capita, current US$	23295.3
School enrollment, primary (% gross)[a]	90.1
Life expectancy at birth, years[a]	72.5
Total GHG emissions (mtCO2e)	125.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Oman's economy continues to perform well, supported by favorable oil prices and a commitment to the economic diversification program, in line with the country's Vision 2040. Concerted efforts are underway to catalyze private investment, including through Oman Investment Authority (OIA). The government's commitment to keep the fiscal position under control and use the oil revenues to lower public debt signals a commitment to fiscal discipline and has prompted a credit rating upgrade. Economic growth is expected to improve slightly in 2024, but downside risks to the outlook include oil market volatility, climate change risks, and potential indirect spillovers from the ongoing conflict in the Middle East.

Key conditions and challenges

Economic activity slowed down in 2023 on the back of OPEC+ output cuts, but a gradual recovery is underway, driven by non-hydrocarbon sectors notably in agriculture, construction, and services. Higher energy prices, and prudent fiscal management under the Medium-Term Fiscal Plan (MTFP) and Vision 2040, have together boosted the fiscal and external positions. The hydrocarbon windfalls were also wisely utilized to reduce government debt in 2023 by almost half of its peak of almost 68 percent of GDP in 2020.

The government continues to advance governance and efficiency reforms. In January 2024, it has revealed plans to boost the economy through the launch of the Oman Future Fund by Oman Investment Authority (of OMR2 billion/US$5.2 billion), with an ambition to attract foreign investment and boost investments in local small and medium-sized enterprises (SMEs). Furthermore, Oman is prioritizing investments in renewable energy and green hydrogen projects, in support of the country's energy transition goals and to meet its target of deriving 20 percent of the total energy generation from renewable sources by 2030.

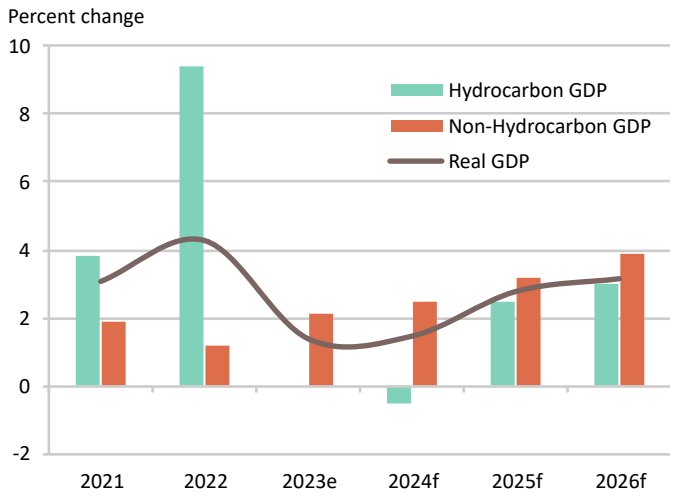
Notwithstanding the existence of sizable buffers, government revenue, export proceeds, and the debt trajectory remain closely tied to oil market developments, as the hydrocarbon sector continues to play a major role in the economy. Key risks to the outlook arise from oil prices volatility, which could pose significant challenges to the fiscal and external accounts and disrupt the government's reform program. This is in addition to geopolitical risks associated with a potential escalation of the conflict in the Middle East. On the upside, higher oil production and prices, coupled with additional fiscal and diversification measures, could spur growth and strengthen fiscal and external positions. Steadfast implementation of the new social protection and labor laws would promote private sector-led growth and boost female labor force participation.

Recent developments

Real GDP growth is estimated to have decelerated to 1.4 percent in 2023, down from 4.3 percent in the previous year, reflecting the oil output cuts to adjust to the OPEC+ quotas. In the first nine months of 2023 (9M-2023), real growth reached 2 percent, with the non-hydrocarbon sectors growing by 2.7 percent and compensating for the slowdown in the hydrocarbon sector (0.5 percent). Average headline inflation eased from 2.8 percent in 2022 to 0.9 percent in 2023, contained by subsidies on basic food items and domestic petroleum prices.

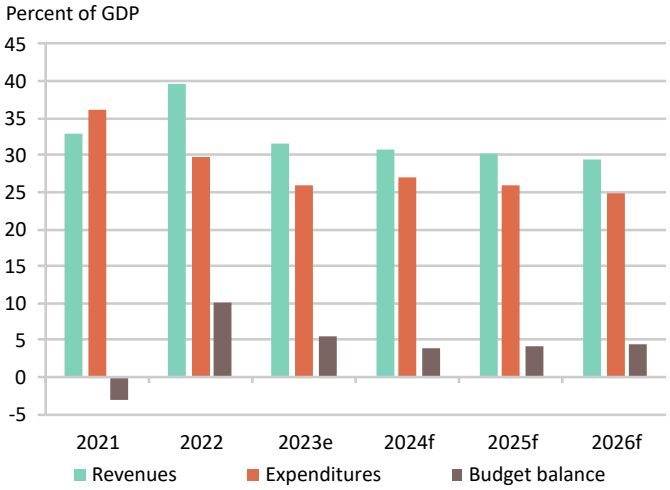
Fiscal revenues declined by 17 percent in the first ten months of 2023 (10M-2023), due to the decline in hydrocarbon revenues. In parallel, public spending declined by 16 percent during the same period, reflecting a drop in public debt

FIGURE 1 **Oman** / Real annual GDP growth



Sources: Oman authorities, World Bank staff projections, and IMF projections.

FIGURE 2 **Oman** / General government operations



Sources: Oman authorities and World Bank staff projections.

service costs as well as the removal of gas purchase and transport expenses from the state's general budget, which were transferred to the Integrated Gas Company. Accordingly, Oman's overall fiscal surplus declined to 2 percent of GDP during 10M-2023, down from over 2.7 percent of GDP during the same period of 2022. The lower hydrocarbon revenues are estimated to limit the scope for larger declines in the debt-to-GDP ratio. With the repayment of government debt, credit rating agencies Fitch and S&P upgraded Oman's rating to "BB+" from "BB".

The trade balance surplus narrowed to US$20 billion (18.7 percent of GDP) by end-2023, compared to over US$27 billion (31 percent of GDP) in 2022, as hydrocarbon receipts contracted by almost 17 percent. Gross foreign assets remain sizable at US$17.5 billion by end-2023.

Based on the latest ILO modelled estimates, the labor force participation rate and employment-to-population ratio are projected to reach 68.7 percent and 67.7 percent respectively in 2024, slightly above the level projected in 2023. The unemployment rate is projected at 1.5 percent. According to the most recent monthly statistical bulletin, the rate of job seekers among women aged 25-29 was 20 percent in December 2023 (6.7 percentage points lower relative to December 2022), while the rate of job seekers among men aged 25-29 in that same period was 2.4 percent (0.3 percentage points higher relative to December 2022).

Outlook

Oman's economic outlook remains favorable, with real growth expected to reach 1.5 percent in 2024, driven by increased gas production and diversification efforts. These include efforts to further improve the business environment, support the role of SMEs in the economy, and accelerate investments in renewable energy and green hydrogen. The newly issued tourism law is expected to attract FDIs to promote regional development in the country and improve the sector's competitiveness. Growth is expected to further accelerate over the medium term supported by global demand recovery, increased investment in non-hydrocarbon sectors and renewable energy. Inflation is forecast to converge to 2 percent over the medium term, helped by the stabilizing effect of the currency peg to the U.S. dollar.

Despite relatively moderate hydrocarbon prices during the forecast period, continued fiscal discipline will keep Oman's overall fiscal balance in comfortable surplus, exceeding 4 percent of GDP in 2024-26. Accordingly, public debt is expected to continue its downward trajectory over the medium term.

Similarly, the current account is projected to remain in surplus over the medium term, as hydrocarbon and nonhydrocarbon revenues rise. This will help Oman rebuild its foreign reserves and improve the country's resilience against oil market fluctuations and external shocks. Oil market volatility, tighter-than-needed global financial conditions, climate change risks, and the impact of heightened geopolitical tensions are key risks to the outlook.

TABLE 2 Oman / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	4.3	1.4	1.5	2.8	3.2
Private consumption	6.8	4.2	1.8	2.2	2.8	2.6
Government consumption	0.9	3.1	1.1	1.8	1.7	2.4
Gross fixed capital investment	-1.5	3.8	3.0	3.5	3.1	3.0
Exports, goods and services	14.2	13.0	1.2	1.9	3.5	3.4
Imports, goods and services	2.7	7.6	4.3	4.7	3.3	2.5
Real GDP growth, at constant factor prices	3.1	4.4	1.4	1.5	2.8	3.2
Agriculture	9.0	-9.7	2.7	1.3	1.5	1.4
Industry	1.1	5.1	0.2	1.8	2.1	2.3
Services	5.4	4.4	2.9	1.1	3.7	4.3
Inflation (consumer price index)	1.5	2.8	0.9	1.6	2.0	2.0
Current account balance (% of GDP)	-5.4	5.0	2.8	2.9	2.6	2.4
Net foreign direct investment inflow (% of GDP)	8.6	4.0	5.6	3.4	3.6	3.8
Fiscal balance (% of GDP)	-3.1	10.1	5.6	3.8	4.3	4.5
Revenues (% of GDP)	33.0	39.7	31.5	30.7	30.1	29.5
Debt (% of GDP)	61.3	39.9	37.6	35.4	33.1	31.9
Primary balance (% of GDP)	0.0	12.5	8.2	6.4	6.8	6.9
GHG emissions growth (mtCO2e)	4.1	6.6	4.9	3.5	4.4	0.0
Energy related GHG emissions (% of total)	71.5	72.6	73.3	73.7	74.5	74.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

PALESTINIAN TERRITORIES

Table 1	2023
Population, million	5.1
GDP, current US$ billion	17.5
GDP per capita, current US$	3401.8
Upper middle-income poverty rate ($6.85)[a]	20.5
Gini index[a]	33.7
School enrollment, primary (% gross)[b]	91.8
Life expectancy at birth, years[b]	73.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Since October 2023, the Palestinian economy has experienced one of the largest shocks recorded in recent economic history. In Gaza, the loss of life, the speed and extent of fixed assets damage, and the reduction in production flows are unparalleled. The knock-on effects in the West Bank include massive job losses and a spiraling fiscal crisis for the Palestinian Authority, leading to further cuts and delays in public salary payments. The outlook is tied to the conflict's evolution and level of future restrictions imposed by Israel.

Key conditions and challenges

From 2017 to 2022, the Palestinian economy barely grew, with an average annual real GDP growth of 0.6 percent. Economic potential has been principally curtailed by the restrictions stemming from the Israeli occupation which, according to Israel, are in place for security reasons. A combination of depressed aid inflows, COVID-19, low private capital attraction, incomplete reform efforts by the Palestinian Authority (PA), and the internal divide between the West Bank and Gaza, also contributed to economic stagnation. Before the onset of the ongoing conflict, the Palestinian economy was already slowing, especially in Gaza reflecting an Israeli decision restricting Gazan fish sales in the West Bank, since August 2022. In a context of weak growth outcomes, high unemployment, dwindling foreign aid, and no access to traditional economic policy instruments, the fiscal situation in the Palestinian territories has steadily deteriorated over the years.

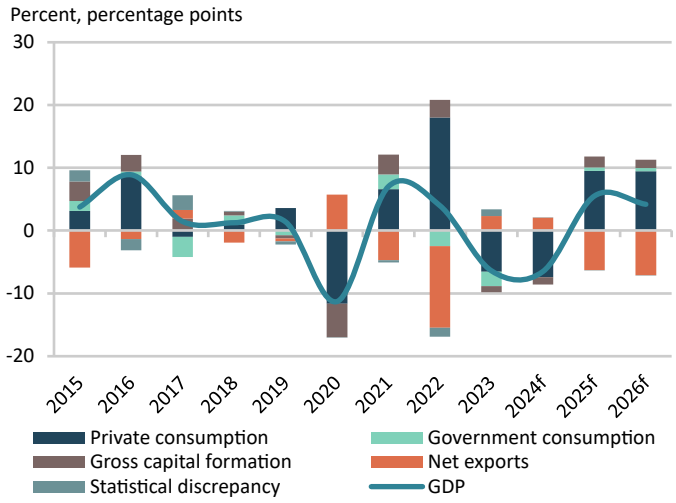
Income per capita trends have been highly heterogeneous, across the territories. In 2022, the GDP per capita in Gaza was US$1,253 - approximately a quarter of the West Bank's at US$4,491. Poverty has followed a similar trend as according to the latest national household survey from 2016/17, almost half of the Gaza population lived below the upper-middle income poverty line ($6.85 2017 PPP a day), compared to less than 10 percent in the West Bank.

Recent developments

Since the onset of the conflict on October 7, activity in Gaza has come to a near-complete stop: GDP declined by 86 percent in the fourth quarter (Q4) of 2023. Simultaneously, additional movement and access restrictions imposed by Israel within the West Bank heavily dampened demand resulting in an estimated 22 percent contraction of the West Bank's GDP in Q4 2023. The pre-conflict projection by the World Bank, forecasting a 3.2 percent real GDP growth for the Palestinian economy in 2023, turned into a 6.4 percent contraction. The destruction in the economy's productive capacity has been severe and will have a lasting impact. In Gaza, as of January 26, 2024, an estimated 82 percent of private sector establishments have either been partially damaged or destroyed. Further, 62 percent of residential buildings in Gaza have incurred some form of damage. Infrastructure is heavily impacted, with over 62 percent of all roads damaged or destroyed. Overall CPI in Gaza increased by 33 percent in Q4 2023 compared to the previous quarter, largely owing to supply disruptions stemming from the conflict. Food prices, specifically, increased by 39 percent, quarter-on-quarter (q/q) driven by reduced access to food, heightened transportation costs, and lower volumes of aid. In contrast, the CPI in the West Bank increased marginally by 0.9 percent, q/q, over the same period.

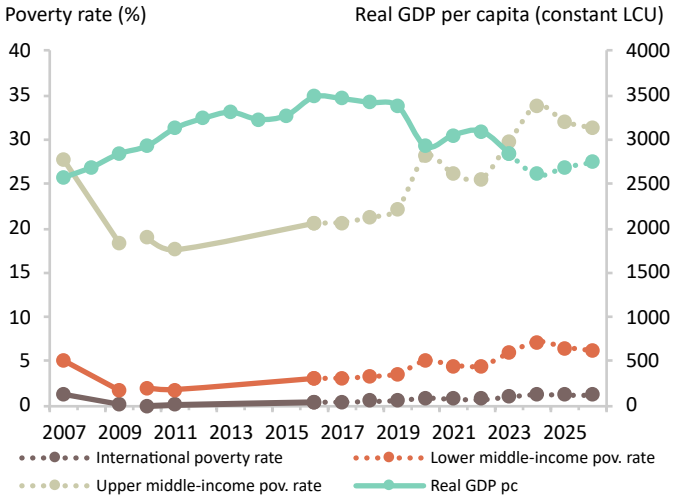
On the fiscal front, additional deductions by Israel from the revenues it collects

FIGURE 1 Palestinian territories / Real GDP growth and contributions to real GDP growth



Sources: Palestinian Central Bureau of Statistics and World Bank estimates.

FIGURE 2 Palestinian territories / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

on behalf of the PA (clearance revenues) increased from an average of NIS200m to NIS500-600m per month since October 2023. According to Israel, the additional deductions are equivalent to the amount that the PA spends in Gaza, including salaries to PA civil servants hired before 2007. Given the transition to a cash-based economy as a result of the conflict, Israel says it is concerned the money could fall into the wrong hands. The PA disputes this risk and asserts that payments to Gaza have been occurring consistently since before 2007, with no alteration in the type of recipients or the mechanism. Due to the deductions, clearance revenue transfers shrank by over 50 percent and, as a response, the PA decided to decline several of the monthly transfers of the sharply reduced amount. Notably, clearance revenues, prior to deductions, have shrunk drastically due to the contraction of economic activity and Palestinian trade. This, paired with decreased domestic tax collection has made the 2023 fiscal deficit balloon fivefold vis-a-vis the pre-conflict baseline, reaching US$516 million, or 3.0 percent of GDP.

Even before the start of the conflict, unemployment in Gaza stood at 45.1 percent (September 2023), with youth unemployment at 59.5 percent. Preliminary estimates indicate that approximately 74 percent of employees in Gaza have been out of work since the start of the conflict. Around 170,000 workers from the West Bank, working in Israel and the settlements prior to October 7, have either lost their jobs or are no longer able to access them. Furthermore, owing to the new Israeli-imposed restrictions on movement within the West Bank, approximately 67,000 workers who commute from different governorates can no longer reach their workplaces.

The sharp contraction of GDP per capita will result in a rapid increase in the poverty rate. The national poverty rate at the international line of $6.85 a day is estimated to have stood at around 25.5 percent in 2022. The conflict pushed this up to almost 30 percent in 2023, with the expectation that this will increase further to around 33.8 percent in 2024 – the highest it has been in at least 20 years. This corresponds to around 1.8 million people living in poverty.

Outlook

The lagging effect of the fixed assets losses will keep economic activity subdued in Gaza, at least for the medium term. Workers' mobility within the West Bank and to the Israeli market will largely shape growth outcomes in the West Bank. The Palestinian economy is expected to contract further in 2024, by 6.5 percent. Assuming an end to the hostilities, and reconstruction efforts starting in 2025, growth should rebound to 5.5 percent in 2025 while GDP levels are not anticipated to recover to the pre-conflict baseline any time soon. Consequently, the poverty rate is expected to remain high, exceeding 30 percent, in the outlook.

On the fiscal front, an increase in clearance revenue transfers to the levels seen before the conflict is assumed as well as a gradual uptick in domestically managed taxes, reflecting rebounding economic activity. This will drive total revenues up, improving the fiscal deficit over the medium term. However, these assumptions are subject to very high levels of uncertainty.

Downside risks remain elevated. The severity of the economic contraction will directly hinge on the evolution of the conflict and the resolution of the clearance revenues dispute. Absent a cessation of the hostilities and a substantial increase in external aid, the risks of potentially disorderly fiscal consolidation measures cannot be excluded.

TABLE 2 Palestinian territories / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.0	3.9	-6.4	-6.5	5.5	4.2
Private consumption	7.5	20.5	-6.4	-7.3	9.4	9.0
Government consumption	10.3	-10.5	-11.3	0.3	2.7	2.5
Gross fixed capital investment	13.7	11.8	-3.4	-4.0	6.2	4.7
Exports, goods and services	17.3	6.2	2.9	3.0	10.7	8.4
Imports, goods and services	14.8	25.7	-2.6	-2.0	12.0	11.8
Real GDP growth, at constant factor prices	6.2	1.3	-6.4	-6.5	5.5	4.2
Agriculture	-0.7	-5.7	-11.3	-5.2	3.3	2.7
Industry	4.5	3.4	-7.5	-6.0	9.0	8.6
Services	7.5	1.5	-5.6	-6.8	4.7	3.0
Inflation (consumer price index)	1.2	3.7	5.9	4.6	3.0	2.5
Current account balance (% of GDP)	-9.8	-15.0	-14.7	-19.2	-16.3	-16.1
Net foreign direct investment inflow (% of GDP)	1.6	1.3	1.1	0.7	0.9	1.3
Fiscal balance (% of GDP)	-5.8	-1.4	-3.0	-2.9	-2.7	-1.7
Revenues (% of GDP)	25.0	27.3	25.5	27.9	27.7	28.2
Debt (% of GDP)	56.0	53.2	58.2	64.9	64.2	63.3
Primary balance (% of GDP)	-5.1	-0.7	-2.2	-2.2	-2.0	-1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.8	0.8	1.1	1.4	1.3	1.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.5	4.5	5.9	7.1	6.5	6.2
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	26.1	25.5	29.7	33.8	32.0	31.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2016-PECS. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

QATAR

Table 1	2023
Population, million	3.0
GDP, current US$ billion	227.5
GDP per capita, current US$	76699.8
School enrollment, primary (% gross)[a]	102.1
Life expectancy at birth, years[a]	79.3
Total GHG emissions (mtCO2e)	130.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

Notwithstanding its large hydrocarbon resources and associated liquefied natural gas (LNG) revenues, Qatar is pursuing a long-term strategy focused on economic diversification. Growth in tourism, new infrastructure projects, and the launch of the Third National Development Strategy (NDS3) are expected to support the economy. Nevertheless, the hydrocarbon sector continues to play a major role, as external and fiscal surpluses remain contingent on LNG exports and will—in the medium term—be aided by the North Field LNG expansion. Key risks include further escalation of geopolitical tensions and fluctuating energy prices.

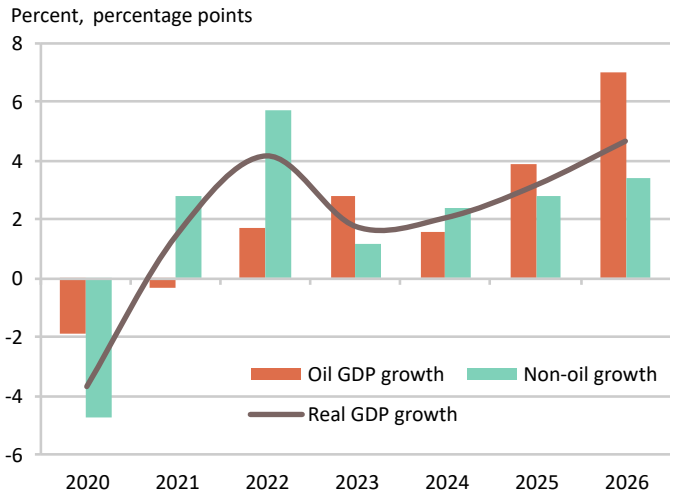
Key conditions and challenges

In January 2024, Qatar launched the Third National Development Strategy (NDS3) 2024-2030, the final stage toward achieving Vision 2030. This strategy aims to accelerate economic diversification, expand North Field LNG production, and position Qatar as a top destination for investors. Qatar's diversification efforts have been ongoing for many years, culminating in the recent success of receiving more than four million visitors in 2023, surpassing the annual visitor numbers of the previous five years. This positive momentum continues in 2024, with a record high of 702,800 visitors in January. The positive trend in tourism has stimulated other sectors, with strong backward linkages evident in the 15 percent growth of the hospitality sector in H12023, making it the fastest-growing sector. Additionally, the transportation and entertainment sectors experienced 9 percent and 6 percent growth respectively. Post-World Cup, the fiscal space generated from oil and gas revenues is being channeled towards investments in human capital, research and development, and the private sector to further diversify the economy. The Qatar Investment Authority (QIA), ranked as the tenth largest Sovereign Wealth Fund (SWF) globally, plans to invest over US$1 billion in international and regional venture capital funds in 2024, with a focus on the technology and healthcare sectors, showcasing Qatar's commitment to long-term economic growth and diversification. However, challenges remain. Gas production and prices continue to be key determinants of fiscal and external accounts balances. More recently, these risks have been compounded by the potential impact of the conflict in the Middle East on energy price volatility, as well as its impact on incoming tourism and investment in the region. Recent Houthi attacks on the Red Sea shipping routes risk also affecting the European demand for Qatari gas in the near term, while Qatar's growing dependence on China as a key trading partner—China was Qatar's largest LNG buyer in 2022, accounting for 21.7 percent of Qatar's exports—raises concerns about the country's vulnerability to potential economic downturns in China.

Recent developments

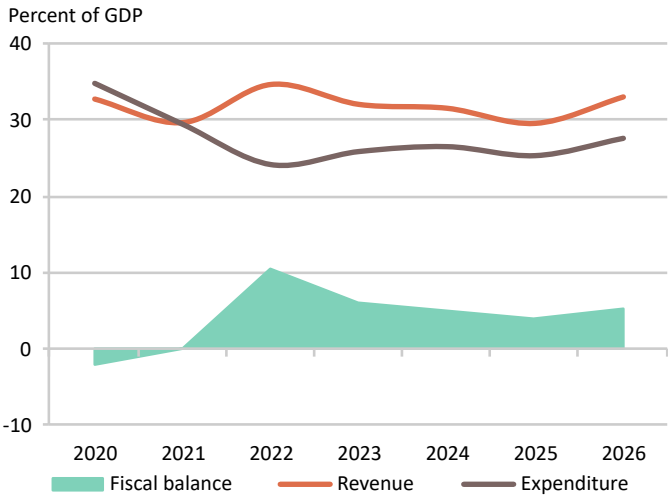
Following a significant 4.2 percent growth in 2022, driven primarily by hosting the FIFA World Cup, the economy has exhibited modest growth in year 2023, reaching 1.6 percent year-on-year (y-o-y) in H12023, driven mainly by hydrocarbon sector growth (3.2 percent) and, to a much lesser extent, non-hydrocarbon sectors growth (0.6 percent). The latter was supported by new infrastructure projects and a vibrant tourism sector post-World Cup. The PMI – which reflects private sector activity – remained expansionary except for December but suggests an overall modest growth in 2023. In the

FIGURE 1 **Qatar** / Annual real GDP growth



Source: World Bank.

FIGURE 2 **Qatar** / Fiscal balance



Source: World Bank.

hydrocarbon sector, commitment towards Asian and European countries are maintained through the signing by QatarEnergy of new 10-year supply agreements, thereby providing a solid, long-term base for the expansion of gas exports despite the risks of reduced European appetite for Qatari gas in the near term triggered by recent Houthi attacks on Red Sea shipping routes. Inflation remained subdued, reaching 3.1 percent in 2023 down from its 2022 peak of 5 percent, helped by lower commodity prices and a strong Qatari riyal, reflecting the peg to the US dollar. The Qatar Central Bank (QCB) kept interest rates unchanged at 6 percent since July 2023, aligning with the US Federal Reserve.

Sizeable fiscal surpluses continued to be achieved (7.7 percent of GDP in H12023), supported by the relatively elevated hydrocarbon prices and a fall in public spending after the World Cup. The current account balance narrowed from US$11.7 billion in Q1 to US$9.4 billion in Q3, primarily due to a smaller merchandise trade surplus and lower energy prices, as natural gas prices fell from US$20/mmbtu in January 2023 to US$11/mmbtu in September 2023. However, the surplus remains ample, supported by continued tourist influx. International reserves and foreign currency liquidity remain strong, reaching QAR 246 billion (USD 67.6 billion) in January 2024.

The latest ILO estimates indicate that key labor market indicators are expected to remain stable through 2024. The labor force participation rate (15+) is projected to remain at 88.9 percent in 2024 (equal to the revised estimates for 2023), and the employment-to-population ratio is estimated to remain at 88.8 percent for the year. The unemployment rate is projected to remain stable at 0.1 percent in 2024, with higher rates among women and among young people. Women aged 15-24 were estimated to experience the highest unemployment rate, around 1.7 percent in 2024.

Outlook

Real GDP growth is projected to strengthen marginally in 2024 but remain modest at 2.1 percent. Non-oil growth will continue to be robust at 2.4 percent, driven by a growing tourism sector. Qatar's state-of-the-art infrastructure will allow the country to reap the benefits through the hosting of several major global events in 2024. The hydrocarbon sector is expected to decelerate to a 1.6 percent growth in 2024, affected by capacity constraints. Yet, a major boost is anticipated for the period Q42025 to 2027, with the North Field expansion project coming online. Consumer price growth is projected to decelerate to 2.1 percent, contained by the tight monetary policy.

Despite further moderation in global energy prices, the fiscal and current account balances are projected to remain in surplus for the coming years. The fiscal surplus is however anticipated to narrow to 4.9 percent of GDP in 2024, as income from oil and gas accounts for around 80 percent of government revenue. The much-delayed introduction of value-added tax (VAT), assuming to take place in 2025, will offset some of the declines in hydrocarbon revenue and support strengthen the fiscal surplus, notwithstanding a potential one-off impact on economic activity.

The current account surplus is also expected to narrow in the short-medium term, but remains strong at 13.3 percent in 2024, supported by energy and services (tourism) exports.

TABLE 2 **Qatar** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.6	4.2	1.8	2.1	3.2	4.7
Private consumption	3.4	5.2	2.7	3.5	3.5	3.4
Government consumption	2.8	4.1	1.2	1.5	2.4	2.3
Gross fixed capital investment	2.3	3.1	2.1	2.2	2.3	2.3
Exports, goods and services	2.4	4.7	2.4	2.7	4.2	6.5
Imports, goods and services	4.7	6.5	4.5	4.7	3.9	4.0
Real GDP growth, at constant factor prices	1.6	4.2	1.8	2.1	3.2	4.7
Agriculture	0.5	7.7	2.4	2.1	2.9	2.9
Industry	0.7	5.2	2.2	2.5	3.1	6.0
Services	3.5	2.0	0.9	1.4	3.4	1.8
Inflation (consumer price index)	2.3	5.0	3.1	2.1	1.9	1.9
Current account balance (% of GDP)	14.7	26.6	16.1	13.3	12.3	13.2
Net foreign direct investment inflow (% of GDP)	-0.7	-1.0	-0.5	-0.8	-0.6	-0.6
Fiscal balance (% of GDP)	0.2	10.4	6.1	4.9	4.1	5.4
Revenues (% of GDP)	29.6	34.6	32.0	31.5	29.5	33.0
Debt (% of GDP)	58.4	42.4	41.4	39.2	38.5	36.2
Primary balance (% of GDP)	1.9	11.6	7.2	6.2	5.2	6.4
GHG emissions growth (mtCO2e)	3.9	4.3	0.9	2.2	3.3	4.3
Energy related GHG emissions (% of total)	71.9	73.0	73.1	73.6	74.3	75.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

SAUDI ARABIA

Table 1	2023
Population, million	32.8
GDP, current US$ billion	1069.0
GDP per capita, current US$	32593.0
School enrollment, primary (% gross)[a]	93.3
Life expectancy at birth, years[a]	76.9
Total GHG emissions (mtCO2e)	776.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2008); Life expectancy (2021).

Subsequent OPEC+ decisions of cutting oil production is adversely affecting Saudi Arabia's overall GDP, fiscal, and external balance positions. Meanwhile, the performance of non-oil private sector is robust and continue to reap benefits from reform implementation. Inflation remains contained supported by generous subsidies, tight monetary policy, and cheaper imports. An escalation in regional and global armed conflicts, volatility in oil prices, and tighter-than-needed global financial conditions are key risks to the outlook.

Key conditions and challenges

Saudi Arabia has made significant oil production cuts for over a year, as part of the OPEC+ alliance decisions. The most recent voluntary cut of 1 mbpd was initiated in July 2023 and extended to expire in Q2 2024. However, these cuts did not prevent a decline in oil prices, as the average per barrel price fell from US$100 to US$83 in 2022 and 2023, respectively; affected by weak global demand. Assessing oil price developments in a scenario where production cuts had not been implemented is challenging, yet the overall effect on the fiscal and external positions is negative. Moreover, with these cuts, Saudi Arabia is losing market share to other oil exporters (e.g., the US, or Angola after it left OPEC over quota disputes) and concerns remain over peak oil demand, which risks leaving oil reserves stranded. With this background, limiting supply to stabilize prices is becoming even more challenging for Saudi Arabia, which is further exacerbated by the Kingdom's need to finance its ambitious reform agenda.

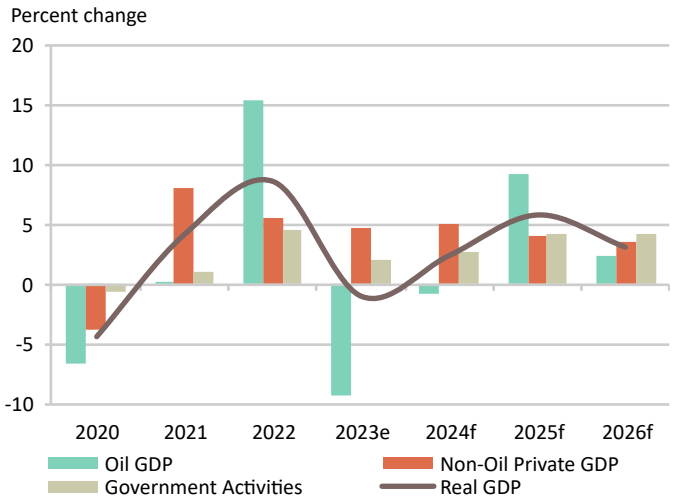
Other downside risks and uncertainties to the outlook include downward revisions of China's growth prospects, which will have an adverse impact on Saudi Arabia's main export market. Further escalation of the conflict in the Middle East and Russia's invasion of Ukraine, in addition to tighter-than-needed global financial conditions, all risk affecting regional and global economic activity. Delays or digressions in implementing structural reforms in support of the diversification goals highlighted in the Vision 2030, perhaps due to other global shocks or an uncomfortable fiscal position, would reduce prospects for stronger long-term growth and employment.

Recent developments

Economic activity contracted in real terms by 3.7 percent (y/y) in Q4-2023 (preliminary data), which represents a sharp decline in annual growth for the second consecutive quarter. This translates to an annual contraction of 0.9 percent in 2023, the worst performance in 20 years (apart from the pandemic and global financial crises years). The decisions by OPEC+ to cut oil production, initiated in Q1-2023 and further deepened by Saudi Arabia's voluntary cut of 1 mbpd since H2-2023, have had a detrimental impact on oil GDP, which contracted by 9.2 percent (y/y). The strong performance of non-oil private activities, which grew by 4.6 percent (y/y) during 2023, was not sufficient to fully compensate for the decline in oil activities. High-frequency data reaffirm a strong start of non-oil activities in 2024, with the January and February PMI recording 55.4 and 57.2, respectively; driven primarily by stronger domestic demand despite tight monetary conditions.

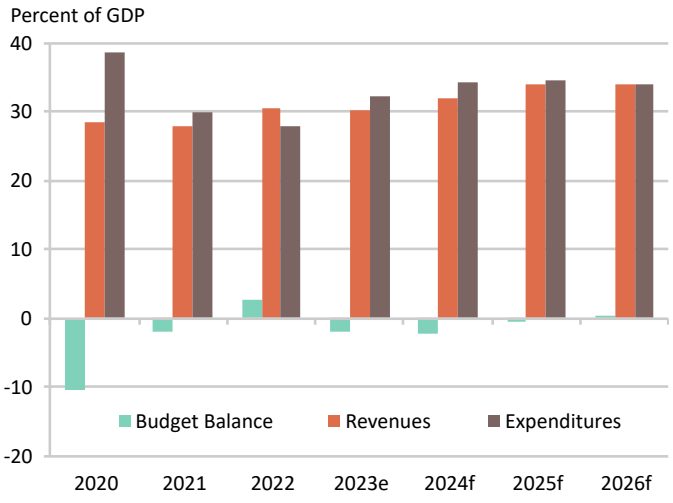
Lower oil revenues, due to lower prices and production levels, coupled with expansionary fiscal policy (expenditures are

FIGURE 1 **Saudi Arabia** / Annual real GDP growth



Sources: GASTAT Saudi Arabia and World Bank staff estimates.

FIGURE 2 **Saudi Arabia** / Central government operations



Source: World Bank.

up by 11 percent y/y) shifted the fiscal surplus of 2.6 percent of GDP in 2022 into a deficit of 2.1 percent of GDP in 2023. Financing needs have been covered by the issuance of a US$10 billion sovereign bond while state oil firm Aramco introduced a performance-linked dividend, on top of its annual base dividend, to shore up budgetary funds. In January 2024, Saudi Arabia made its largest international debt issuance since 2017 (US$12 billion) to partially cover the anticipated financing gap.

Balance of payments data shows the current account surplus narrowing to US$36.9 billion during the first 9 months of 2023 (down from US$131 billion in the previous year) driven primarily by a 25.8 percent fall in oil receipts. As a result, the estimated current account surplus narrowed from 13.7 to 4 percent of GDP in 2022 and 2023, respectively. The Saudi Central Bank's (SAMA) foreign reserves reached US$436.9 billion in December 2023, the lowest in 14 years, suggesting that oil revenues are being channeled to PIF to finance its larger investment role in the local economy.

Overall, labor market outcomes are positive, as Saudis, both men and women, find jobs particularly in manufacturing, construction, and in the public sector. The overall unemployment rate remained at 5.1 percent, while unemployment for Saudi women slightly rose in Q3-2023, possibly driven by labor supply growth that outpaced labor demand. However, it remains far below the level a year ago. The overall labor force participation rate, however, declined to 51.6 percent in Q3-2023, down from 52.4 percent in Q1-2023. The number of Saudis working in the private sector in Q3-2023 is estimated at 2.6 million while the non-Saudi nationals increased to 8.1 million. The employment-to-population ratio decreased slightly between Q1 and Q3-2023, with the declines primarily driven by changes among Saudi males and among non-Saudi women. The employment-to-population ratio among Saudis declined from 48 percent to 47.2 percent over the same period.

Outlook

Following the contraction witnessed in 2023, real GDP is expected to grow by 2.5 percent in 2024, driven primarily by robust non-oil private activities (forecast to grow by 4.8 percent). Loose fiscal policy, lower interest rates, strong private consumption, and investment, will continue to support non-oil activities in the medium term. Meanwhile, and despite Aramco's plan to halt the increase in oil production capacity to 13 mbpd by 2027 (now at 12 mbpd), oil output is expected to increase gradually to exceed 10 mbpd by end 2024—from around 9 mbpd in January. With the recent announcement by the Ministry of Energy to extend voluntary oil production cuts until end Q2-2024, oil GDP is expected to contract in 2024 by 0.8 percent. These trends are expected to be reversed in 2025, with oil output anticipated to ramp up aggressively resulting in 5.9 percent overall GDP growth. Inflation is expected to hover around 2.2 percent in the medium term, contained by generous subsidies on fuel and food and cheaper imports.

The fiscal deficit is expected to widen to 2.4 percent of GDP in 2024, reflecting continued expansionary fiscal policy and the drop in oil receipts. Aramco's distribution of performance-linked dividends, which started in Q3-2023, should improve the fiscal position in the medium term—supported by recovery in oil production levels. As budgetary financing needs grow, the debt-to-GDP ratio is expected to rise to 27.7 percent in 2024, before moderating to 25.8 percent in the medium term.

The current account surplus should widen in the medium term (averaging 7.1 percent of GDP) supported by the recovery of oil production and non-oil exports.

TABLE 2 Saudi Arabia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.3	8.7	-0.9	2.5	5.9	3.2
Private consumption	9.5	4.9	4.5	3.3	3.0	3.1
Government consumption	0.8	9.3	4.9	2.0	5.8	2.7
Gross fixed capital investment	10.7	21.7	3.3	3.0	2.0	3.8
Exports, goods and services	1.0	19.7	-7.9	-1.0	11.0	3.7
Imports, goods and services	8.3	12.4	8.1	4.3	5.0	4.0
Real GDP growth, at constant factor prices	3.9	9.2	-1.3	2.5	5.9	3.2
Agriculture	2.5	4.1	5.5	2.0	2.0	2.0
Industry	1.1	13.2	-4.8	-0.5	6.4	1.6
Services	7.6	4.7	2.9	6.1	5.6	5.0
Inflation (consumer price index)	3.1	2.5	2.3	2.1	2.3	2.2
Current account balance (% of GDP)	4.8	13.7	4.0	4.2	6.6	7.7
Net foreign direct investment inflow (% of GDP)	-0.2	0.1	-1.2	-1.1	-1.1	-1.1
Fiscal balance (% of GDP)	-2.1	2.6	-2.1	-2.4	-0.6	0.2
Revenues (% of GDP)	27.8	30.5	30.2	32.0	33.9	34.1
Debt (% of GDP)	26.9	23.8	26.2	27.7	26.1	25.5
Primary balance (% of GDP)	-1.2	3.3	-1.1	-1.4	0.5	1.3
GHG emissions growth (mtCO2e)	1.8	3.5	2.8	3.1	3.5	1.9
Energy related GHG emissions (% of total)	68.3	68.5	68.3	68.1	68.0	67.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

SYRIAN ARAB REPUBLIC

Table 1	2023
Population, million	23.2
GDP, current US$ billion	12.0
GDP per capita, current US$	515.9
International poverty rate ($2.15)[a]	24.8
Lower middle-income poverty rate ($3.65)[a]	67.0
School enrollment, primary (% gross)[b]	74.4
Life expectancy at birth, years[b]	72.1
Total GHG emissions (mtCO2e)	51.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Syria's protracted economic contraction persists due to a combination of shocks related to conflict both within Syria and across the region. Indeed, the Middle East conflict has spilled over into Syria as airstrikes damaged critical infrastructure. With the economy in continued retreat and increased cost of living due to currency depreciation and trade disruptions, ordinary Syrians continue to bear the brunt of the conflict, with about one-quarter of Syrians now estimated to live in extreme poverty.

Key conditions and challenges

Syria's civil war is the deadliest conflict of the past three decades. Between 2011 and 2022, the Uppsala Conflict Data Program (UCDP) recorded more than 407,000 battle-related deaths in Syria. As political settlements to end the conflict remain elusive and extremist groups, notably the so-called Islamic State, continue waging insurgencies, the Syrian civil war has become one of the most protracted conflicts in recent history. To date, the conflict in Syria ranks second in duration, with only the Afghan civil wars of 1989-2001 and 2006-2021 lasting longer since 1990.

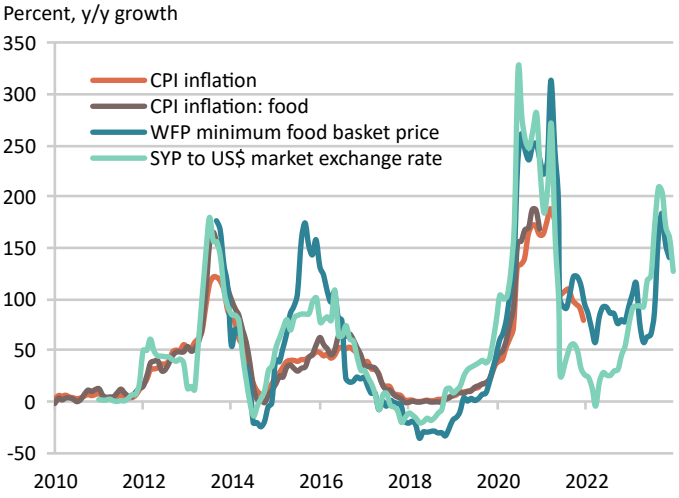
A decade of conflict has had devastating economic and social consequences on Syria. Syria has further been subjected to several external shocks, which the war has made the country ill-equipped to deal with. These include economic turmoil in neighboring Lebanon and Turkey, the knock-on effects on commodity prices due to the war in Ukraine, earthquakes in Syria and Turkey in February 2023, and lately, attacks and trade disruptions related to the ongoing Middle East conflict. Gross Domestic Product (GDP) contracted by 54 percent between 2010 and 2021. The decline in Gross National Income per capita prompted the World Bank to reclassify Syria as a low-income country in 2018.

Poverty rates in Syria have increased significantly in the last two decades. This decrease in the welfare of Syrian households stems from the direct effects of the long-lasting conflict and recent natural disasters, combined with increased inflation following regional shocks and monetization of fiscal deficits. In 2022, extreme poverty, as measured by the share of the population living below the international poverty line of US$2.15 (2017 PPP) per capita per day, affected almost 25 percent of the Syrian population, starkly contrasting with the virtually non-existent extreme poverty before the conflict. When considering the US$3.65 (2017 PPP) international poverty line of low- and middle-income countries, poverty affected 67 percent of the population in 2022, equivalent to approximately 14.5 million Syrians.

Recent developments

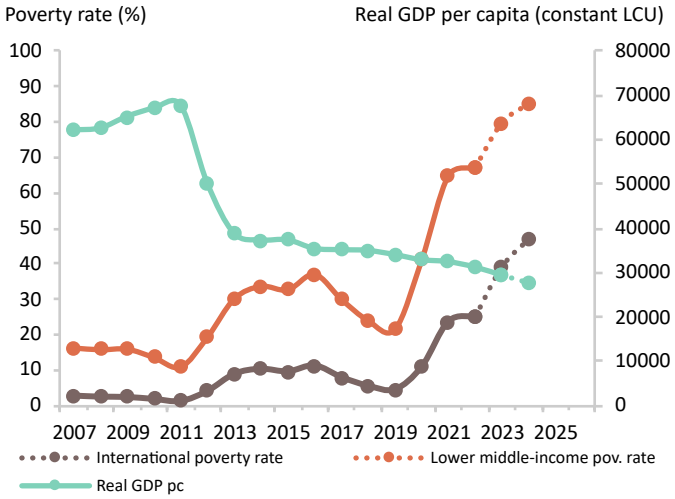
The Middle East conflict has spilled over Syria's borders. According to data compiled by the Armed Conflict Location & Event Data Project (ACLED), Syria recorded 146 conflict events and 136 fatalities linked to Israeli attacks from October 2023 to January 2024. Repeated Israel airstrikes on Syria's main airports led to a 42 percent decline in overall flights in the fourth quarter of 2023 compared to the previous quarter. Military groups affiliated with the Iran-backed "axis of resistance" carried out at least 83 attacks on US bases in northeast Syria from October 2023 to January 2024 and targeted locations in the occupied Golan Heights, prompting a fierce US military response in January 2024.

FIGURE 1 Syrian Arab Republic / Inflation and exchange rates



Sources: Central Bureau of Statistics of Syria, WFP Market Price Watch Bulletin, and World Bank estimates.

FIGURE 2 Syrian Arab Republic / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Macroeconomic conditions in Syria have further deteriorated. Economic activity, as proxied by nighttime light emissions (see our Syria Economic Monitor for details), declined in 2023 by 1.2 percent year-on-year (yoy), particularly along Syria's western borders, possibly due to weakened trade activity. Nighttime gas flaring data points to a decrease in oil production in 2023 of 3.5 percent yoy, likely due to earthquake- and conflict-related infrastructure damage.

Currency depreciation and consumer price inflation are persistently high. In 2023, the market price of the Syrian pound depreciated by 141 percent against the US dollar. With heavy reliance on imports, currency depreciation quickly leads to higher consumer prices in Syria. Consequently, consumer price inflation is estimated to have risen by 93 percent in 2023.

After rebounding in the wake of the February 2023 earthquake, aid flows to Syria have declined and access to humanitarian assistance has become more challenging. According to the UN Financial Tracking Service (FTS), total funding for humanitarian assistance amounted to US$2.8 billion in 2023, a 5 percent decrease from the previous year. Compounded by soaring prices and diminished access to essential goods, this has deepened welfare challenges for Syrian households. According to the REACH Humanitarian Situation Overview in Syria (HSOS) surveys, access to health services, sewage systems, and food markets has continued to deteriorate in highly affected areas in northern Syria after the earthquake. Heightened financial vulnerability increasingly prompts households to borrow money, purchase goods on credit, and rely on child labor as a coping strategy.

Outlook

Subject to extraordinarily high uncertainty, real GDP is projected to contract by 1.5 percent in 2024, assuming that the regional conflict will remain largely contained this year. Inflation is anticipated to remain high in the short term due to the pass-through effects of currency depreciation, along with persistent shortages and reduced rationing of food and fuel. Private consumption will remain subdued with a continued erosion of purchasing power amid rising prices. Private investment is expected to remain weak, as the security situation is expected to remain volatile and economic and policy uncertainties to persist. Government spending, especially capital expenditures, will continue to be constrained by low revenues and lack of access to financing.

Risks to the growth outlook are significant and tilted to the downside. Increased intensity of conflict and heightened geopolitical tensions stemming from the recent Middle East conflict risk deepening a growth contraction. Escalating airstrikes and bombings may lead to additional infrastructure damage, potentially further disrupting supply chains and increasing logistics costs. A broader regional conflict could elevate commodity prices, negatively affecting Syria as a net food and fuel importer. A potential redirection of aid and international assistance in response to the conflict in Gaza could exacerbate Syria's humanitarian crisis, potentially worsening malnutrition, further increasing poverty, and the likelihood of disease outbreaks.

TABLE 2 Syrian Arab Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f
Real GDP growth, at constant market prices[a]	1.3	-0.1	-1.2	-1.5
Inflation (consumer price index)	118.8	74.0	92.6	99.7
Fiscal balance (% of GDP)	-9.6	-8.4	-8.2	-8.0
International poverty rate ($2.15 in 2017 PPP)[b,c]	23.6	24.8	39.0	46.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	65.0	67.0	79.7	84.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Projections based on nighttime light data.
b/ Calculations based on 2022-HNAP and 2007, 2009 CBS. Actual data: 2022. Nowcast: 2021, 2023. Forecasts: 2024.
c/ Projection and nowcast using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU deflated by CPI. Poverty rates in 2009 and 2022 use different sources that are not directly comparable.

TUNISIA

Table 1	2023
Population, million	12.5
GDP, current US$ billion	51.2
GDP per capita, current US$	4107.7
National poverty rate[a]	16.6
Lower middle-income poverty rate ($3.65)[a]	2.2
Upper middle-income poverty rate ($6.85)[a]	16.2
Gini index[a]	32.8
School enrollment, primary (% gross)[b]	105.0
Life expectancy at birth, years[b]	73.8
Total GHG emissions (mtCO2e)	38.8

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021).
b/ Most recent WDI value (2021).

Tunisia's economic outlook remains highly uncertain. Tunisia's already timid post-Covid economic recovery came almost to a halt in 2023 amid a severe drought and difficult financing conditions. Authorities have established a Central Bank financing facility to finance the government debt service in 2024 and have used it to repay a maturing Eurobond. Inflation and unemployment remain significant challenges for the authorities. Accelerating the recovery and stabilizing the economy will require the speedy implementation of fiscal, SOE and structural reforms.

Key conditions and challenges

Tunisia faces increasingly difficult economic conditions. Since 2011 weak reform implementation has left the economy inefficiently closed to investment and trade and ill-equipped to exploit opportunities in the global economy. As growth and private job creation stagnated, the State stepped in as an employer of last resort and price stabilizer through subsidies. This has caused a deterioration of the fiscal and the current account deficits under the weight of a large public sector wage bill, higher consumer subsidies and underperforming state-owned enterprises. The COVID-19 pandemic, Russia's invasion on Ukraine and the ongoing drought have exacerbated these longstanding weaknesses.

Tunisia's growth prospects continue to hinge on decisive structural reforms to address economic distortions and fiscal pressures. These include: (i) eliminating business entry permits and unnecessary licenses, (ii) gradually phasing out controls to capital outflows for non-offshore businesses and individuals; (iii) reducing consumer subsidies while compensating vulnerable households; (iv) improving the performance of state-owned enterprises; (v) making the tax system fairer. Progress in these reforms is critical to stabilize the macroeconomic situation, accelerate the recovery and lay the foundation for a more sustainable economic growth.

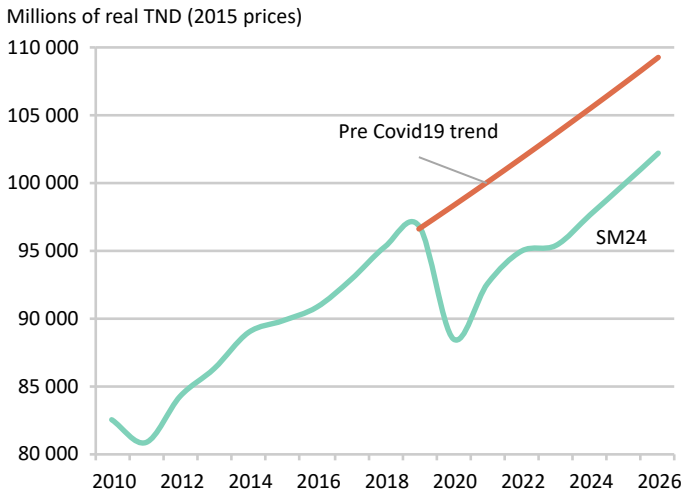
Recent developments

Economic recovery has been modest in real terms since the sharp contraction in 2020 due to COVID-19 (-8.6 percent). After a moderate rebound in 2021 (4.6 percent), the rate of growth decelerated to 2.6 percent in 2022 and to only 0.4 percent in 2023. The latest economic slowdown reflects the severe drought in 2023 (with agriculture declining by 11 percent in real terms), the uncertain financing conditions, and some fiscal consolidation. Shortages of some basic products have persisted amidst import compression and declining agricultural production.

The merchandise trade deficit narrowed to 10.9 percent of GDP in 2023 down from 17.5 percent in 2022 amidst more benign global prices and robust manufacturing exports. As a result, the current account deficit (CAD) fell from 8.7 to 2.6 percent of GDP over the same period, also helped by robust tourism receipts.

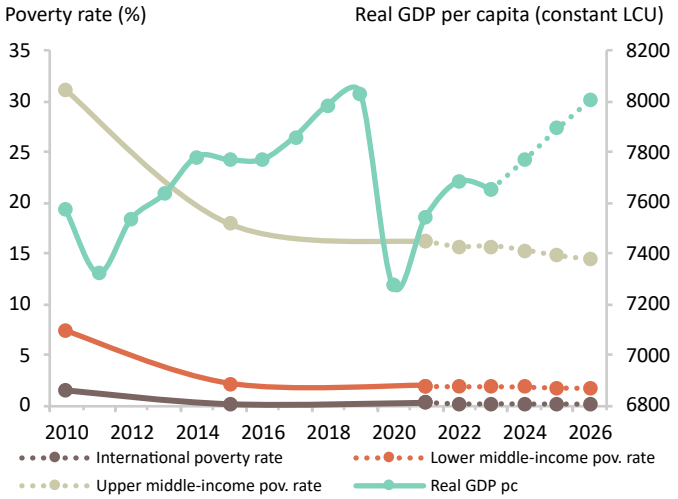
While the decline in commodity prices and the energy and food subsidy bill provides some respite, the pressure on public finances remains elevated as public expenditure reforms continue to falter amid weak growth. This contributes to the challenges in financing the public debt, which between 2019 and 2023 increased from 67.8 to 80.1 percent of GDP (without including government guarantees and SOE debts).

FIGURE 1 Tunisia / Real GDP: Actual, forecast and pre-COVID-19 trend



Sources: World Bank estimates and National Institute of Statistics.

FIGURE 2 Tunisia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

With limited access to international financing, the authorities have established a Central Bank financing facility up to TND 7 billion in 2024 (4 percent of GDP and a quarter of 2024 financing needs) to finance the government debt service. The facility – which was used to repay a Euro 850 million Eurobond maturing in February 2024 - could undermine the stability of the Dinar, the Central Bank independence, and fiscal discipline.

Inflation continued to moderate since the peaks of February 2023, declining from 10.4 percent to 7.5 percent in February 2024. The decline appears to be driven by lower global prices and weak domestic demand. However, inflation remains above both the 2021-2022 average (7 percent) and food inflation is higher (10.2 percent), which presents a particular challenge for lower-income households.

With weak economic growth, the unemployment rate increased to 16.4 percent in Q4 2023 from 15.2 percent a year before. This is one of the highest rates in the region and it is associated with a year-on-year decrease in labor force participation. The average rate in 2023 (45.8) was 1.5 percentage points below the average pre-Covid, suggesting continued growth in the number of discouraged workers.

Outlook

After the significant slowdown in 2023, the economy is expected to experience a moderate rebound. Assuming a moderation of the ongoing drought and slightly more benign financing conditions, growth is forecast to reach 2.4 percent in 2024 and 2.3 percent in 2025-26. With this growth rate, real GDP in 2024 would finally reach its pre-Covid 19 level, a full four years after the pandemic. This modest structural growth is due to challenging conditions linked to water scarcity, the uncertainty around debt financing, and the weak momentum on structural reforms.

Tunisia's public finance and external account will remain precarious in the absence of sufficient external financing. The budget deficit is expected to decline somewhat to 6.1 percent of GDP in 2024 (compared to 6.7 percent of GDP in 2023). That is mainly driven by a decline of subsidies and wage bills in real terms and a moderate increase in tax revenues. Gross financing needs are expected to rise further at 16.1 percent of GDP in 2024 (from 13.8 percent in 2023) due to significant external debt service.

The CAD is projected to remain stable at 2.4 percent of GDP in 2024 with continued growth in travel exports and stable terms of trade. With FDI projected to be relatively stable and minimal portfolio investments, foreign lending would still have to shoulder the financing of the CAD.

The 2024-26 growth forecast is subject to significant downside risks. Growth projections would be even lower should Tunisia not implement decisive fiscal and pro-competition reforms and/or should available financing not be sufficient to cover Tunisia's external needs. If these conditions occur, it may be challenging to secure sufficient foreign currency in the economy, which could lead to pressures on exchange rates and prices, exerting a negative impact on economic activity and employment. In addition, should the drought conditions persist, the projections could be revised downwards given the negative impact on agriculture and the trade balance.

Poverty using the Lower Middle Income Poverty Line (US$3.65/person/day line in 2017 PPP term) is projected to remain stable at 2.3 percent in 2022-23 and so until 2026. The share of poor and vulnerable at the upper-middle income country poverty line (US$6.85/person/day in 2017 PPP) is projected to constantly decline to 14.5 percent by 2026.

TABLE 2 Tunisia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.6	2.6	0.4	2.4	2.4	2.2
Private consumption	2.4	2.2	1.4	2.7	2.9	3.4
Government consumption	1.5	-1.2	1.9	-0.5	-1.0	-1.8
Gross fixed capital investment	3.2	1.7	-10.7	5.6	8.5	3.2
Exports, goods and services	11.9	17.3	9.8	2.1	4.0	4.1
Imports, goods and services	10.9	11.5	6.6	2.7	5.2	4.6
Real GDP growth, at constant factor prices	4.8	2.5	0.0	2.4	2.3	2.3
Agriculture	-2.3	1.0	-11.0	5.9	5.0	5.0
Industry	9.8	0.9	-1.5	-0.3	-0.3	0.9
Services	4.1	3.4	2.4	2.9	2.9	2.4
Inflation (consumer price index)	5.7	8.3	9.3	7.0	6.0	5.0
Current account balance (% of GDP)	-5.9	-8.7	-2.7	-2.4	-2.3	-2.4
Net foreign direct investment inflow (% of GDP)	-1.1	-1.4	-1.3	-1.3	-1.2	-1.2
Fiscal balance (% of GDP)	-7.6	-6.7	-6.4	-5.6	-4.6	-3.2
Revenues (% of GDP)	25.7	28.5	28.5	28.0	26.1	26.3
Debt (% of GDP)	79.9	79.9	80.0	79.7	79.1	81.5
Primary balance (% of GDP)	-4.7	-3.4	-3.1	-2.2	-1.1	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.3	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.0	2.0	2.0	1.9	1.8	1.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	16.2	15.7	15.7	15.3	14.8	14.4
GHG emissions growth (mtCO2e)	4.7	-0.3	0.3	1.7	2.3	2.3
Energy related GHG emissions (% of total)	70.4	70.0	70.1	70.4	70.9	71.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2021-NSHBCSL. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

UNITED ARAB EMIRATES

Table 1	2023
Population, million	9.5
GDP, current US$ billion	477.1
GDP per capita, current US$	50128.3
School enrollment, primary (% gross)[a]	115.8
Life expectancy at birth, years[a]	78.7
Total GHG emissions (mtCO2e)	292.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

The UAE maintains its status as a key regional hub for trade, finance, and tourism, bolstered by substantial progresses in economic diversification and a reduced dependence on hydrocarbon income. Economic growth is estimated to have significantly decelerated in 2023, primarily due to OPEC+ production reductions, but is expected to pick up in 2024. Major risks to the outlook include an escalation of geopolitical conflicts, large fluctuations in oil prices, and continued global financing tightening.

Key conditions and challenges

Hydrocarbon activity remains the primary source of government revenue, but efforts are underway to accelerate the diversification of the economy and of government revenues. These include the introduction of Corporate Income Tax (CIT) in mid-2023, coupled with a phased withdrawal from the business fee structure. The outlook for the non-oil sector is robust, with an anticipated increase in oil sector activity expected to maintain strong external and fiscal positions.

Key risks to growth include OPEC+ decisions on quotas, as well as the continuation/expansion of the conflict in the Middle East and its potential impact on oil prices volatility and on the movement of goods and people (tourism). In particular, the disruption of trade routes in the Red Sea have triggered an increase in shipping costs and rerouting, including for Asia-Europe trade. This could negatively impact the transport and logistics sectors, posing potential downside risks to economic growth in 2024.

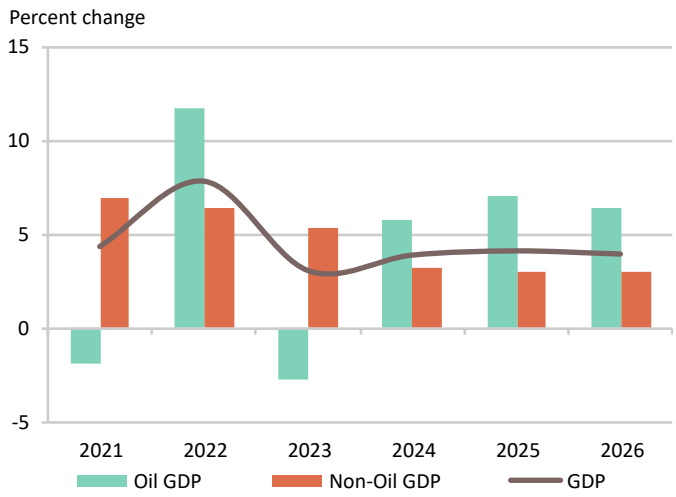
Recent developments

The UAE economy experienced a significant slowdown to 3.1 percent in GDP growth in 2023, down from 7.9 percent in 2022. The deceleration was attributed to weaker economic global activities and a decline in oil production to comply with OPEC+ decisions. As a result, the oil sector has witnessed a contraction of an estimated 2.7 percent. The non-oil sector, however, remains robust and resilient as growth accelerates to 5.4 percent, driven by the financial and insurance services, construction, real estate, and wholesale and retail trade sectors. Relatedly, the Purchasing Managers' Index (PMI) rose to 57.5 in February 2024, indicating a stimulation in non-oil private sector growth, driven by increases in output, new orders, and employment.

Inflation pressures eased in 2023 due to lower food prices, offsetting higher housing costs, with public wage growth remaining moderate throughout the year. Following the US Federal Reserve's stance, the Central Bank of UAE held key policy rates steady at 5.4 percent since July 2023. The banking system remains well capitalized and liquid, with the non-performing loans ratio dropping to 5.3 percent in Q42023 (down from 6.5 percent in Q42022) and private sector credit continuing to grow.

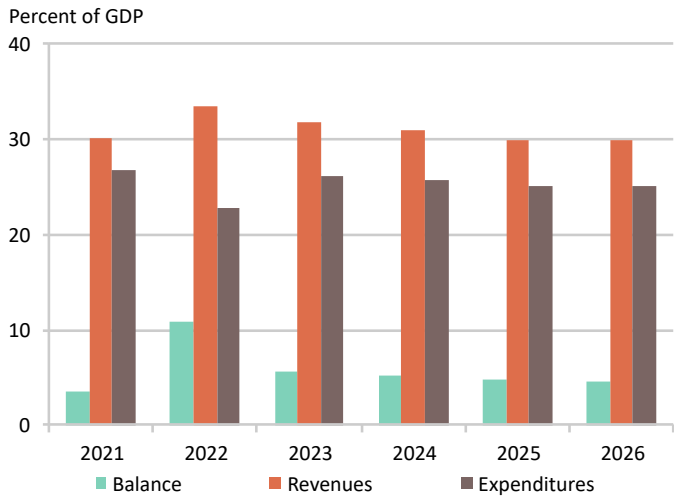
The fiscal surplus more than halved in 2023, declining to 5.6 percent (down from 10.8 percent in the previous year), reflecting the impact of cuts in oil production on oil proceeds. The decrease in government revenue was due to diminished tax and non-tax receipts, although this was partly offset by increased social security contributions. Meanwhile, expenditures grew across all subcategories, except for spending on goods, services grants, and capital spending, which has seen a minor decline.

FIGURE 1 United Arab Emirates / Annual real GDP growth



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

FIGURE 2 United Arab Emirates / Public finances



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

This strategic allocation supports key initiatives such as the UAE Energy Strategy 2050, the UAE Tourism Strategy 2031, the UAE Digital Government Strategy 2025, and the Dubai Autonomous Transportation Strategy, underlining a focus on sustainable and digital growth.

The current account surplus reached an estimated 9.1 percent of GDP, driven by oil receipts and rising non-oil exports. Free trade agreements with key Asian and African markets are anticipated to continue to further facilitate and boost non-oil exports and sustain the external balance surplus.

The limited availability of UAE household and labor market data prevents a detailed measurement and understanding of poverty, inequality, and livelihoods. According to the most recent available ILO estimates, the labor force participation rate was expected to reach 82.7 percent in 2023, slightly above its 2019 level. Employment rebounded in 2022 to pre-pandemic levels and was expected to continue to increase in 2023. The unemployment rate was projected to be 2.7 percent for 2023, a decrease from the height of the pandemic but remaining below the 2019 rates. Unemployment rates remain substantially higher among young adults ages 15-24 than among adults ages 25 and over. The gap is especially wide among women, with projected rates of 18.6 percent and 5.5 percent respectively for 2023.

Outlook

Real GDP growth is projected to accelerate to 3.9 percent in 2024, fueled by OPEC+'s announced significant oil production hike in the second half of 2024 and a recovery in global economic activity. Oil output growth is projected to reach 5.8 percent in 2024, as OPEC+ announces extension of additional voluntary cuts (163 tb/d), to the Q22024, with an expectation that global oil prices will remain strong. Non-oil output will remain robust and continue to support economic growth in 2024, expanding at 3.2 percent, driven by strong performance in the tourism, real estate, construction, transportation, and manufacturing sectors. However, growth prospects are tempered by substantial risks, notably, from potential additional decisions by OPEC+ to delay increases in production, and other members decisions on production, in addition to the adverse impact of the conflict in the Middle East on UAE's economy.

In 2024, inflation is expected to moderate to 2.3 percent - helped by earlier interest rate hikes and reflecting base effects - and to remain contained at around 2.1 percent during 2025-26. Yet, the positive impact from falling commodity prices and lower import costs (from expanded trade agreements) may be offset by spikes in food prices.

The fiscal surplus is expected to be sustained by strong oil revenues, together with a robust growth of the non-oil economy, and is projected to further decline to 5.1 percent of GDP in 2024. The introduction of a 9 percent federal corporate tax in June 2023 is expected to expand the share of non-oil revenues and broaden the tax base. The ongoing implementation of fiscal revenue reforms, along with the maintenance of prudent and well-coordinated fiscal policies tailored to individual emirates, will enhance fiscal buffers and bolster overall fiscal sustainability.

A strong performance in the external sector, bolstered by diversification initiatives, is anticipated to maintain a current account surplus, projected at 8.4 percent of GDP in 2024. Export performance is expected to continue to be affected by volatility in the oil sector and the reestablishment of secure trade corridors. Nonetheless, diversifying into non-oil sectors and focusing on emerging markets in South Asia and East Africa are projected to improve export proceeds.

TABLE 2 United Arab Emirates / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.4	7.9	3.1	3.9	4.1	4.0
Private consumption	5.0	9.0	5.2	4.1	4.0	4.0
Government consumption	1.4	3.5	3.0	2.7	2.6	2.4
Gross fixed capital investment	9.6	6.0	5.7	3.6	3.5	3.3
Exports, goods and services	6.8	8.4	3.5	4.8	4.6	4.5
Imports, goods and services	8.8	7.4	5.3	4.8	4.1	4.1
Real GDP growth, at constant factor prices	4.4	7.9	3.1	3.9	4.1	4.0
Agriculture	3.8	3.4	3.5	3.5	3.0	3.0
Industry	1.3	8.8	1.2	3.8	4.5	4.2
Services	7.4	7.1	4.9	4.0	3.8	3.8
Inflation (consumer price index)	-0.1	4.8	3.2	2.3	2.1	2.1
Current account balance (% of GDP)	11.5	11.7	9.1	8.4	8.3	8.3
Fiscal balance (% of GDP)[a]	3.5	10.8	5.6	5.1	4.8	4.7
Revenues (% of GDP)	30.2	33.6	31.7	30.9	30.0	29.9
Debt (% of GDP)	35.1	31.4	29.2	27.1	25.3	23.6
Primary balance (% of GDP)	3.7	11.1	5.8	5.3	5.0	4.9
GHG emissions growth (mtCO2e)	11.4	7.0	-1.9	1.5	1.4	1.6
Energy related GHG emissions (% of total)	75.1	76.4	75.8	75.6	75.3	75.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Consolidated fiscal balance.

REPUBLIC OF YEMEN

Table 1	2023
Population, million	34.4
GDP, current US$ billion	18.4
GDP per capita, current US$	533.4
School enrollment, primary (% gross)[a]	83.9
Life expectancy at birth, years[a]	63.8
Total GHG emissions (mtCO2e)	22.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2016); Life expectancy (2021).

Amid the blockade of the IRG's oil exports by the Houthis and conflict in the Middle East, Yemen navigates between glimpses of hope and a grim reality. The national economic rebound in 2022 was short-lived, with 2023 witnessing a sharp 24 percent decline in GDP per capita. Consequently, widespread poverty and food insecurity are estimated to have intensified. The outlook remains uncertain, due to stalled peace negotiations and regional conflict. While the IRG faces mounting external financing needs, hopes for the future hinge on conflict resolution, timely support from partners, and government's reforms.

Key conditions and challenges

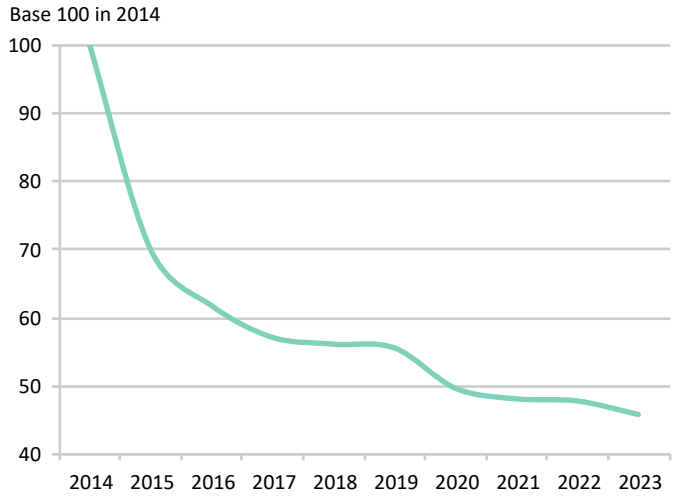
Yemen's humanitarian crisis is deeply rooted in its conflict and complex, highly fragmented political and economic landscape. Between 2015 and 2023, the country has experienced a staggering 54 percent contraction in real GDP per capita, resulting in most Yemenis living in poverty and 17 million facing food insecurity, as evidenced by the 2022 Integrated Food Security Phase Classification (IPC). Moreover, the conflict has intensified the country's fragmentation into two distinct economic zones, each governed by its unique set of institutions (including two central banks with their respective currencies) and policies, resulting in increasing disparities. The Northern areas, under Houthi control, are home to some 70 percent of the population while the Southern areas, governed by the Internationally Recognized Government (IRG), hold the country's oil and gas resources.

The economy has further deteriorated since the expiration of the truce in late 2022. During 2022, the economy showed signs of improvement, supported by a UN-brokered truce that brought a glimmer of hope, albeit without the parties reaching a permanent political settlement. The truce expired in October 2022, and although an informal truce remained in place, the situation worsened due to a Houthi-imposed blockade on IRG's oil exports. This ongoing blockade dramatically impacted national growth in 2023 and exacerbated IRG's fiscal and monetary challenges. Since October 2023, the escalation of the conflict in the Middle East and in the Red Sea, intensified by direct Houthi involvement, further compromises the already precarious economic and social conditions of the Yemeni people.

Furthermore, Yemen continues to face deep structural challenges. The key oil sector has suffered from years of lack of investments, maintenance, and inability to retain or attract foreign investment. The non-oil sector is severely constrained by physical barriers to domestic trade and logistics, interruptions in essential service delivery, acute input shortages, pervasive double taxation, and uncoordinated policies. Additionally, Yemenis remain vulnerable to volatility in remittances and aid flows, a key lifeline, as well as climate change impacts on agriculture and water resources.

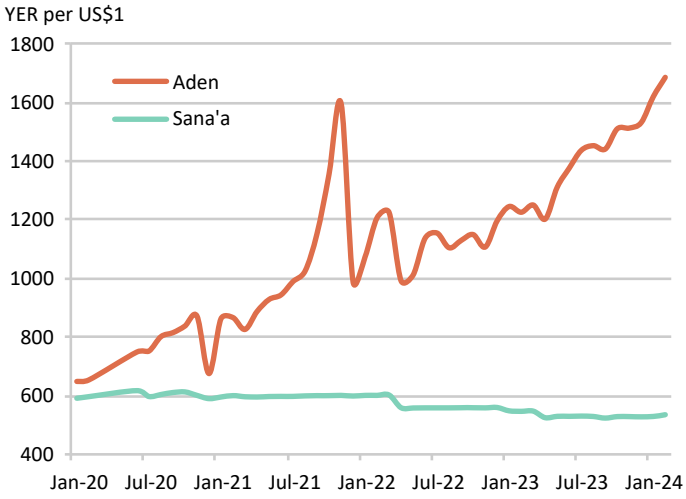
Living conditions are dire for most Yemeni people due to inadequate food security, limited dietary diversity, and access to health and education, as well as basic services. While some households, especially the better-off, can sell assets or tap into remaining savings to navigate shortages, due to widespread poverty and food insecurity, many households have exhausted these typical coping mechanisms. Consequently, they turn to last-resort strategies, including child labor or engaging in high-risk work, with enduring destructive effects on safety, physical and mental health, and family and social fabric. Children are most vulnerable and disproportionately affected by these challenges, suffering

FIGURE 1 **Republic of Yemen** / Real GDP per capita



Sources: World Bank and IMF staff calculations.

FIGURE 2 **Republic of Yemen** / Exchange rate trend: Sana'a and Aden



Sources: Telegram Exchange Market Group and World Bank staff calculations.

from some of the highest levels of stunting and being underweight.

Recent developments

The Houthi blockade on IRG's oil exports and heightened tensions significantly impacted Yemen's economy in 2023. Overall, national GDP is estimated to have contracted by 2.0 percent in real terms in 2023, following a rebound of 1.5 percent in 2022 but the dollar GDP per capita decline was much deeper, as noted above. The Houthi blockade on IRG's oil exports resulted in a notable decrease in oil production, from an estimated 51.4 thousand barrels a day in 2022 to 17.0 thousand in 2023. Additionally, heightened uncertainties, hostile actions, and protests further stifled activity in the non-oil sector.

The fiscal situation of the IRG has deteriorated. According to the Ministry of Finance in Aden, IRG's fiscal revenues declined by over 30 percent in 2023, primarily oil and customs revenues. The pledged budgetary support from Saudi Arabia, totaling US$1.2 billion, with an initial disbursement of US$250 million in August 2023 (followed by a second disbursement in early 2024), helped alleviate some of the financial pressures, particularly in funding public sector wages. However, despite measures such as reducing subsidies and expenditures on goods and services, the IRG's fiscal deficit is estimated to have widened from 2.7 percent in 2022 to around 4.0 percent of GDP in 2023.

Additionally, the complete halt in IRG's oil exports has intensified external pressures and led to the further depreciation of the Yemeni Rial in the Aden market (YER). In 2023, the country's current account deficit widened to 19 percent of GDP, mainly due to the halt in IRG's oil exports. This resulted in pressures on liquid international foreign exchange reserves, as reported by CBY-Aden, and a notable depreciation of the YER in the Aden market to YER 1,620 per US dollar by the end of January 2024 (from 1,114 in 2022), reflecting levels last observed at the end of 2021. However, despite the currency depreciation in the Aden market, with the deeply depressed national economy, consumer prices in Yemen declined on average by 1.5 percent during 2023, also due to a drop in global commodity prices.

Outlook

The macroeconomic outlook for Yemen is clouded by the regional conflict and escalating tensions in the Red Sea. As a result, the resumption of IRG's oil exports in 2024 is now unlikely due to the slowdown in peace negotiations amid the conflict, resulting in a downward revision of growth projections. Also, maritime traffic along the Red Sea route has decreased by 30 percent since mid-December, disrupting broader trade flows. While Yemen's imports and prices have so far shown relative stability, with continued conflict, there are increasing risks of supply shortages and rising import costs due to reduced and more costly imports, increased shipping expenses, including due to rising war premiums and insurance costs. Furthermore, the sanctions imposed on the Houthis by the US administration in February 2024 could have extensive repercussions across various sectors, including the banking, aid, and remittances. These developments are expected to significantly impact the economic situation in Yemen, with another projected contraction of 1.0 percent in real GDP in 2024 and further fiscal and monetary pressures on the IRG. Any disruptions to humanitarian aid, essential imports, remittances, and sources of livelihood will exacerbate Yemen's economic and social conditions, particularly in a society plagued by widespread poverty, deprivation, and food shortages. The risks regarding food insecurity are alarming, exacerbated by the suspension of aid and food distribution by the World Food Program (WFP) in Houthi-controlled areas. The conflict has already inflicted profound and far-reaching economic, social, and humanitarian consequences on Yemen.

Although risks continue to lean towards the downside, Yemen holds a significant opportunity for peace dividends if the conflict is resolved. The country stands at a pivotal moment in its development trajectory. While heightened domestic and regional tensions pose significant risks to its economic, social, and humanitarian situation, the attainment of a lasting truce or peace agreement holds the promise of rapid economic recovery. With strong external financial assistance and reconstruction efforts supported by Yemen's development partners, along with post-conflict reform, the country could achieve accelerated growth within a short timeframe. In such a favorable scenario, growth would be expected to be driven by a swift rebound in domestic transportation, trade, financial inflows, and reconstruction. Such efforts are essential for overcoming the current crisis and laying the foundations for a unified and prosperous future for all Yemenis.

TABLE 2 Republic of Yemen / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f
Real GDP growth, at constant market prices	-1.0	1.5	-2.0	-1.0	1.5
Inflation (consumer price index)[a]	31.5	29.5	-1.5	14.2	17.3
Current account balance (% of GDP)	-13.8	-17.8	-19.3	-24.5	-22.9
Net foreign direct investment inflow (% of GDP)	3.2	0.9	-0.4	0.4	0.2
Fiscal balance (% of GDP)	-0.9	-2.7	-3.9	-3.4	-3.5
Revenues (% of GDP)	7.3	9.5	6.9	7.0	7.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.
a/ Inflation rates refer to end-of-period figures.

Macro Poverty Outlook

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2024

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